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**IRON,  
BLOOD  
and PROFITS**

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An Exposure of the  
**WORLD-WIDE  
MUNITIONS  
RACKET**



IRON,  
BLOOD  
and PROFITS

An Exposure of the  
WORLD-WIDE  
MUNITIONS RACKET

By

GEORGE SELDES

*Author of*

"YOU CAN'T PRINT THAT!"

"THE VATICAN: YESTERDAY—  
TODAY—TOMORROW," Etc.



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IRON, BLOOD AND PROFITS

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For  
MARIAN AND TIM  
when they grow up

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GEORGE SELDES



**IRON,  
BLOOD  
and PROFITS**





## Chapter One

### Who Wants War?

**F**OR giving aid or comfort to the enemy in time of war the penalty is death. Both civilians and soldiers share this punishment. If an American or a British or a French soldier in No Man's Land had ever been caught giving a rifle or a grenade to a German, he would have been shot on the battlefield. But the Allied armament-makers who not only before the war, but during the war, gave rifles and grenades and the comfort of food to the enemy, received baronetcies and the ribbons of the Legion of Honour while making a profit of millions of dollars.

In December, 1932, a German court sentenced Private Jaeger to death for deserting in April, 1915, and giving a French officer the primitive respirator he was to use in case the gas to be released on April 22nd came drifting back to his own trenches. But the Krupps, and their chief director, Hugenberg, who sold the British their patent hand-grenade fuse which killed thousands of German soldiers, received the highest decorations for patriotism from the Kaiser, and at the end of the war 123,000,-000 shillings, one shilling royalty for each grenade fuse, from the British.

The Thyssens, who in 1916 sold cannon bucklers to the Allies (*via* a Dutch agent, of course) were found guilty when accused of treason. Today, Fritz Thyssen, the chief supporter of Adolf Hitler, is dictator of the iron, coal, steel, and armament district of Germany.

A general in the American army invented a disappearing gun carriage which gave the United States superiority over its potential enemies; it was immediately taken over by a firm whose president is one of America's noblest patriots, and sold to all foreign governments, which now have equal advantage in killing American soldiers and sailors.

Although Abraham Lincoln saved the life of a boy who had fallen asleep on sentry duty, neither he nor the courts attempted to punish a business man who sold the Union army condemned

rifles which exploded in the hands of Yankee soldiers and killed or maimed them for life.

The French before the World War sold hand grenades to Bulgaria, which within a few months killed Allied soldiers, and the secret of the marvelous French gun, the 75, was taken to the Putiloff works in Russia, where Krupp engineers worked by the side of British and French engineers. The British firm of Vickers helped arm the Turks, and the Turks used British armaments almost exclusively in killing the Australian and New Zealand troops in the Dardanelles. When the American marines went down to Nicaragua the Sandino rebels killed them with guns bearing the marks of Massachusetts and Connecticut companies.

A Connecticut Yankee who invented an armour-plate process which revolutionized naval warfare, organized an international trust which saved the navies of Germany as well as those of Japan and Allied nations, but the calculating spy or the unwitting camera enthusiast who takes a photograph of a Japanese or an American warship may be imprisoned or executed.

Jaeger and Bolo Pasha and Mata Hari committed individual acts of treason and their punishment was death. The Krupps who gave their fuses to Vickers for a royalty, the Americans who sold their superior guns and armour to friend and enemy alike, the French who shipped poison chemicals to Germany during the war and the Germans who shipped steel to France, were big business men, doing business as usual, and good business is good patriotism and never lacking in rewards. Neither death nor disgrace awaits the gentlemen who betray their country in a big way. Many of these gentlemen have founded or joined patriotic societies, navy and defence and security leagues, supported lobbies for national security through the medium of greater war preparations, and formed the great international of the armament-makers which, in the verdict of the Tsar of Russia, Sir Edward Grey, General Pershing, rulers, statesmen, and military leaders, was wholly or partly responsible for the World War.

This small but powerful group of arms-makers, which Colonel Carnegie, the British expert, figures as no more than fifty, which armed the world of 1914, which has been proven guilty of selling to the enemy in time of war, and which today is preparing the world for another war, can be called the most important of the

few factors which are openly or secretly in favour of war. If any one of these fifty armament-makers is not in favour of a war for his own country, he is at least in favour of a war between two foreign countries.

The merchants of death, the Krupps, the Zaharoffs of our time, are for war. Numerous patriotic associations which they finance are for expansion, imperialism, colonization—by means of war.

The oil, steel, coal, iron, and *hacienda* interests have paid for civil wars in Mexico, and on several great occasions openly declared for an American war of intervention.

The dictators of almost all European countries are for war. Their forerunners, the Napoleon III's, the Kaiser Wilhelm II's and the Theodore Roosevelts of the nineteenth century were for war and got war. The entire German philosophic school of militarism was honestly for war. The inheritors of Nietzsche's and von Bernhardi's *Machtpolitik* are for war.

The paid propagandists of the cannon- and warship-makers who have succeeded in smashing the peace conferences at Geneva and who have delayed every peace proposal taken by the League of Nations, are among the workers for new wars.

The members of the American Congress who have succeeded in preventing embargoes on shipments of arms are openly for war—between South American countries, when business can be done with both sides.

The list of men and organizations who want war is not a long one, but it is apparently powerful enough to influence the governments of the world. Otherwise, quite obviously, there would be no war. Both sides cannot be on the defensive in a conflict.

In democratic countries no statesman, business man, or even general dares, in cold-blooded peace time, admit that he favours war in any form and with any nation. Euphemism and hypocrisy must govern the program which is therefore called "our national security" or "national defence." Few men are brave or honest enough to admit they are for war. Those few the world owes, along with its abuse, a certain reward for the bravest honesty.

Mussolini wanted war at the time he received the first installment of French money for the founding of his interventionist newspaper, *Popolo d'Italia*. He wrote in his first number, "We

vember 13, 1914, under the editorial heading "*Audacia!*" the following words:

"I fling to you my call, O Youth, Youth of Italy, youth of the workshops and universities, you who have heart and soul young, who belong to the generation which has to make history according to the command of Destiny—my call, which will resound into the Future.

"This call is but one word, a word which I have never pronounced in time of order, but which I pronounce today, without reservation, without irresolution, with a clear voice and strong faith: a word rebellious and terrifying: W A R!"

After the great conflict which caused the greatest disillusion among intelligent men the world over, Mussolini, now head of his state, rattled the sword for a war with France. He not only made a public confession in favour of war, but he published it later in his collected speeches:

"Three cheers for war in general. It is cursed in word and deed by a herd of bastards and fools and infinitely blind and ignorant multitudes. . . . War, a physical and spiritual fact combined, cannot fail to exist in a world which has always seen it and always will. . . . The instinct of war is in human nature. . . . And to this fact, which might justify war only as a fatality, must be added another, which makes us love it, that war is also one of the most fruitful mystic manifestations. . . ."

To this he added in 1933, in his article on Fascism in the *Treccani Encyclopaedia*, his own version of the German pre-war militarist philosophy:

"Fascism does not believe in the possibility nor in the utility of permanent peace. It therefore rejects pacifism, which conceals a renunciation of effort and a sentiment of cowardice in the face of sacrifice. War alone brings human energies to their highest tension and sets a seal of nobility upon those peoples which have the virtue to face it. All other ideals are but substitutes, which never place man face to face with himself in the alternative of life and death. Hence the doctrine which is based on the promise of peace is necessarily foreign to Fascism."

Putting his doctrines into practice, Mussolini has succeeded in planting in the minds of the youth of Italy the desire for war. He calls it the doctrine of "the gun and the book." The child, the

youth, the conscript, receives a thorough perverted schooling in history and hatred, and at an early age sings the bloodiest war songs, such as: "We will march against Paris, return victoriously, bringing back to Mussolini, the bloody severed head of Marianna (France)."

The arrival of Hitler in power added to that small honest list of dictators who want war. Hitler has told German youth that the will to war must be restored, and von Papen, who is a chamberlain of the Pope in Rome (Europe's first pacifist), has frequently declared for war. "Potsdam," he said on one occasion, "stands at the sign of the Cross and breathes the spirit of armed defence, the will to war, of honour and self-assertion." To the women of Germany he said, "The battlefield is for a man what motherhood is for a woman," and the youth of Germany now march singing songs that yearn for the day "when blood shall again flow from our bayonets."

Likewise in Russia youth is trained for war. Not, it is true, for the wars of Hitler and Mussolini, but war for the establishment of proletarian dictatorship over the human race. "Unless the Communist movement captures other countries, its whole meaning is lost and Russia is a failure," Lenin said to the Third International in 1922.

Whatever the objective, it is a plain fact now that when Aristide Briand repeated, "The people never want war," he was not speaking for the peoples of at least two countries and the youth of three. It is one of the striking characteristics of dictatorships that they instil the desire for war and train children to grow up wanting war, thus producing, for the first time in history, peoples who admit they want war.

The dictator *manqué* of America was Theodore Roosevelt. He wanted war.

Theodore Roosevelt was not averse to war with Great Britain or Spain, Chile or Mexico; he was more than once willing to take on all of Europe. Drive all European nations out of the American continent, he preached. He was a professional jingo, an honest, unabashed imperialist, a big-navy man. President Elliot of Harvard called him a jingo, a Prussian bully, a degenerate son of Harvard, and he retaliated by calling Elliot a futile snail.

mentalist of the international arbitration type. Henry F. Pringle quotes Representative Thomas S. Butler of Pennsylvania (House Naval Committee) saying that when Roosevelt came to Washington as Assistant Secretary of the Navy: "Roosevelt came down here looking for war. He did not care whom we fought as long as there was a scrap."

A confession was made by Roosevelt during the Venezuela crisis in 1895. At that time British and American oil and other business interests were very close to engaging their respective governments in mutual slaughter for the purpose of safeguarding profits. Roosevelt wrote to Henry Cabot Lodge:

"I most earnestly hope that our people won't weaken in any way in the Venezuela matter. The antics of the bankers, brokers, and Anglomaniacs generally are humiliating to a degree. . . . As for the editors of the *Evening Post* [then pacifists], it would give me the greatest pleasure to have them put in prison the minute hostilities began. . . . Personally I rather hope the fight will come soon. The clamour of the peace faction has convinced me that this country needs a war."

On June 2, 1897, addressing the Naval War College, the great leader further interpreted the Moltke-Treitschke-Bernhardi theories:

"Preparation for war is the surest guarantee of peace. . . . those who wish to see this country at peace with foreign nations will be wise if they place reliance on a first-class fleet of first-class battleships, rather than on any arbitration treaty which the wit of man can devise. . . . We ask for a great navy. . . .

"No triumph of peace is quite so great as the supreme triumphs of war. . . . It may be that in some time in the dim future of the race the need for war will vanish; but that time is yet ages distant. . . . Diplomacy is utterly useless where there is no force behind it; the diplomat is the servant, not the master of the soldier. . . ."

When the Cuban crisis came the majority of American big business men, notably the elder John Pierpont Morgan and other financiers and leading industrialists, opposed war. In all probability, says Pringle, it never would have come "but for Joseph Pulitzer and William Randolph Hearst." At this time, it must be added, war was not known to be an affair of mass murder which

1914 proved it to be. It was regarded more in the nature of a naval adventure involving few deaths, and it would have been that but for the greed of the Chicago packers who caused the great majority of the casualties with their poisoned beef.

In 1897 General Weyler, the "Butcher," was recalled to Spain, but the jingo press drummed up Ambassador de Lôme's stupid letter insulting President McKinley. Then, February 15, 1898, the *Maine* was sunk and the press permitted no one in America to believe it was an internal explosion. The Spanish demand for an investigation was repulsed. Roosevelt's plan of war with Spain as part of his navy preparedness program triumphed. In a letter of November 18, 1897 he had written of the benefit that would be "done our military forces by trying both the army and navy in actual practice"; which he called a "great lesson," saying the nation would "profit much by it." He was not averse to the killing of men, he was not "in the least sensitive about killing any number of men if there is adequate reason."

Roosevelt went to Cuba accompanied by the press. He charged up San Juan Hill about an hour after it had been captured by other American troops. Among the "other" troops who had to fight for the objective were a great number of Negroes. The war correspondents accordingly gave the glory to the white, aristocratic Rough Riders and their fire-breathing Duce.

Teddy enjoyed the war thoroughly. He had a boyish delight in it. In his history of his exploits (*The Rough Riders*, Scribners, 1899 edition) he records the following incident:

"Lieutenant Davis' first sergeant, Clarence Gould," he writes, "killed a Spaniard with his revolver. . . . At about the same time I also shot one. . . . Two Spaniards leaped from the trenches . . . not ten yards away. As they turned to run I closed in and fired twice, missing the first and killing the second. . . . At the time I did not know of Gould's exploit and supposed my feat to be unique. . . ."

Modern history records the names of few men who wanted war and who really enjoyed killing. The millions who went through the World War rarely saw the enemy, fired only at black specks, and never boasted of individual slaughter. The Marquis de Sade had few followers in these millions. The four years of bloodshed were possible to men who otherwise might have revolted in horror or gone insane (as many did) because it was so damnably im-



personal. It was a machine war, a long-distance war, and not one human being in hundreds stuck his bayonet into another human being. And of those who remember individual killing, few, if any, rejoiced in it.

Among the notable exceptions was the man whom Americans honour as another Theodore Roosevelt. One day, according to a friend and worshipper of Mussolini who was with him the few days the Duce spent in the front-line trenches, Mussolini saw some Austrians peacefully grouped in an opposite trench. It was a quiet sector; by unwritten agreement the enemies fired only at certain hours and refrained most of the time. As one Austrian struck a match to light a cigarette or a pipe, Mussolini, disregarding the agreement, threw a hand grenade. A captain happened to be in the Italian trench at the time.

"Why did you do that, my son?" the captain asked. "They were sitting peacefully and not doing us any harm. They were smoking their pipes in silence and perhaps talking of their brides. Have you no heart? Why was it necessary to send them to death?"

"If that is so, my captain," Mussolini, according to his worshipper, replied, "then perhaps we had all better go for a little promenade on the Milanese Corso, a more agreeable occupation, certainly."

The next day it was ascertained that Mussolini had killed two men and wounded five.

Roosevelt and Mussolini helped lead nations into wars. In both instances certain elements were opposed to war, the very elements, in fact, which the Marxians say axiomatically are the leading war-makers. Neither finance nor big business in Roosevelt's America or Mussolini's Italy wanted the war, and Norman Angell, who in 1912 denied the Marxian thesis and claimed that a European conflict would be ruinous to capital, could in 1933 point an I-told-you-so finger at not only the German but the collapsed British and American and French and Italian business systems.

But it is the intention of this chapter to state unequivocally that certain business interests, certain manufacturers and producers and their bankers, do want war, they intrigue for war, they have dragged nations into wars and are in favour of war because of the profits they gain from it.

American oil interests have been mentioned which have deliberately, in 1916, in 1920, in 1927, attempted to lead the United States into a war with Mexico. They were willing to sacrifice a hundred thousand American lives in order to make several hundred thousand dollars' profits a year. On March 26, 1916, this intrigue had gone so far in the press and in Congress that President Wilson was obliged to warn the nation that vested interests were spreading false and alarming stories for the purpose of starting a war. Said he:

"The object of this traffic in falsehood is obvious. It is to create intolerable friction between the government of the United States and the *de facto* government of Mexico for the purpose of bringing about intervention in the interests of certain American owners of Mexican properties.

"The people of the United States should know the sinister and unscrupulous influences that are afoot, and should be on their guard against crediting any story coming from the border, and those who disseminate the news should make it a matter of patriotism and of conscience to test the source and authenticity of every report they receive from that quarter."

Unfortunately, President Wilson did not name the oil, silver, copper, and plantation interests which wanted bloodshed in order to safeguard and increase their profits. But in 1920 Senator Albert B. Fall, demanding that the recognition of the Carranza government be withdrawn, alarmed the country by alleging a big Bolshevik plot between the Mexicans, the Russians, and the International Workers of the World, to restore Texas to Mexico. He openly preached war. (Later, convicted of accepting a \$100,000 bribe from American oil interests, he was sent to the penitentiary, but whoever it was gave the bribe was never convicted.)

"*Wars*" states the 1921 report of a League of Nations commission "*are promoted by the competitive zeal of private armament firms.*" The report further states that armament firms have through international rings caused the armament races which they knew would lead to war, that they fomented war scares, intrigued in national and international politics, urged nations to adopt more militaristic programs which would obviously provoke wars, etc.

Having made these charges in 1921, the League has remained silent. The vast amount of corroborative evidence, the documents, the sensational disclosures upon which the first sub-committee of the temporary mixed commission based report A.81, 1921, have never been made public. On the contrary, the history of the disarmament movement at Geneva for the past thirteen years proves that in the League itself there are powerful elements which have succeeded in ameliorating, if not suppressing, important parts of the original declarations against the vast international conspiracy of the profiteers in violence, murder, and wars.

A large part of this book is devoted to the evidence which substantiates the original conclusions of the League. Of the three elements which want wars—individual militarists, a few business interests, notably the oil men, and the armament international—the third has in the recent past proven the greatest wrecker of peace and civilization.

The firm of Krupp with its prominent stockholder, Kaiser Wilhelm II, wanted war and provoked it. Zaharoff, head of the firm of Vickers, wanted war, conspired for war, himself financed at least one war and is privately responsible for more men's deaths than any one person living or dead.

When an American munitions lobby fought President Hoover's proposal for an embargo on arms to Bolivia, Paraguay, Chile, Colombia, and sold airplanes, rifles, bullets, shells, and cannon to the nations of South America, it proved conclusively that numerous American manufacturers want war. If they are for peace at home, they want bloodshed in other lands. They have armed and are arming all nations. If the United States is ever engaged in war in Central or South America, in the Atlantic or the Pacific, the guns and planes which American manufacturers have sold since the Armistice will be used to kill American soldiers and sailors.

The armament-makers, who at the Geneva Conference of 1927 caused the greatest antagonism between the United States and Great Britain, who torpedoed that Naval Conference and who in previous and later meetings, in the House of Parliament, in the Chamber of Deputies, and in Congress through their controlled politicians and their paid lobbyists, have succeeded in preventing friendly understanding between nations, in inspiring army and

navy armament races, in preventing government control of the international armament business or the imposition of embargoes, can fairly be classed among the forces that want war.

One hundred and twenty-one sessions of the Council, the commissions, and the sub-commissions of the League have been held on the subject of armaments, and 111 resolutions have been passed, but 1934 finds that none of the recommendations has succeeded. Lord Cecil, who presided at the League frequently, and many other statesmen, have found that an opposition to peace as well as to the control of the trade in armaments exists in Geneva.

While the League has been scorned by the nations, the armament-makers of the nations which compose the League have continued to subsidize wars in many places. The armament-makers of the United States, France, Britain, and Japan are largely responsible for the twenty years of civil war in China. Krupps, Vickers, Schneider officials, and representatives of the American airplane, powder, and rifle companies have armed the Chinese war lords. At times they have accepted payment based on the looting of cities and the necessary slaughter. The mercenary armies of China have been raised by financial backers in Hong-Kong, Paris, London, New York, and Yokohama, and even Moscow has taken a hand in arming and supporting the Communist faction, while Japan, after selling a large part of the arms which provoked the rebellions, which in turn caused chaos, used chaos as an excuse for its invasions and annexations.

The gun-makers are not in business for their health; the healthfulness of their business depends on slaughter, and business is business. The more wars the richer the profits. (How they helped cause the World War and made vast profits out of the death of 10,000,000 young men and a material loss of \$337,000,000,000, how during the war itself they continued to do business as usual, and how they have allied themselves since the war to do business in smaller wars and prepare for the great profits of the next world war, will be shown in other chapters.)

"Do you know anyone who wants war?" Secretary of War Hurley thundered at Representative Ross A. Collins during the War Policies Commission hearings in Washington.

"Anyone who maintains conditions which lead to war I think can be fairly said to want war," Mr. Collins replied, quietly.

"Only eight per cent of the people of the world want war," President Franklin D. Roosevelt said to Commissar Litvinoff during the recognition conversations.

"But," replied the Soviet commissar, "these eight per cent are the people in power in certain countries."

Herewith is the story of these eight per cent.

## Chapter Two

### The International of Blood

THE only big business in the world which bases its existence on patriotism is the one big business which lives by bloodshed. Although they raise the national flags over their endeavours, the armament-makers have never hesitated, for a commensurate profit, to sell their country to the enemy. They have betrayed the secrets of military inventions, given information on strength in munitions, and not only sold the cannon, the submarines, the warships, the powder, and the rifles to nations with whom they expected their governments to be at war, but they have established armament works in enemy countries, built whole navies, organized whole armies.

Besides preaching national defense, security, intransigent nationalism and in addition to financing the naval leagues, security and defence societies which exalt parochial patriotism, the armament-makers themselves are organized into the greatest and most profitable secret international of our times—the international of bloodshed for profits.

"I am a citizen of the world," said Alfred Nobel, whose dynamite international still supplies the armies of the world. "My country is where I work, and I work everywhere." The Nobels, the Krupps, the Zaharoffs, and their lesser-known comrades in America in the decade which ended the nineteenth century organized not only the dynamite but the rifle cartels, the warship armour-plate trust, and the gunpowder combine, partitioning the world, raising prices, and dividing the increased profits.

The First International of Karl Marx disappeared ingloriously; the Second International of Jean Juarez and Karl Liebknecht was wounded to death with the first bullet of the World War, and the Third International of Lenin and Trotsky succeeded in winning only one country. But the international of the merchants of death has had a glorious history, written in the ledgers of this warring world, on the right side of the page, in dollars and pounds and marks and francs.

Through fifty years of unparalleled growth and amalgamations

the armament-makers, all of whom are affiliated, interlocked, or bound by contract, at the beginning of the World War were reduced from several hundred to less than fifty corporations, and of these fifty only a few influenced world affairs:

Krupp in Germany  
Vickers and Armstrong in Britain  
Schneider in France  
Skoda in Austria  
Terni and Ansaldo in Italy  
Bethlehem and Du Pont in America, and  
Mitsui in Japan.

Today the list is almost the same. Skoda has become Czechoslovakian, and Krupp, allied with Thyssen and forbidden by the Allies to manufacture war materials in Germany, have moved that part of their business to foreign lands. Under the guidance of Zaharoff, Vickers and Armstrong have been united into the greatest of all armament enterprises, and the Imperial Chemicals Industries of Britain must be added to the list. It may be safely predicted that the booming airplane industry, already engaged in international competition, will soon join the allied and inter-related groups.

Working with the one inspiring ideal of profit, the pre-war unions of the gun-, armour-, and powder-makers not only eliminated competition, but engaged in fomenting war scares, encouraging military and naval races; they embroiled more than one country into a minor war, they grew rich in the Balkans and in China, grew still richer in promoting the World War, and despite the wholesale butchery in the name of patriotic nationalism, they continued to exist and function during at least a year of that conflict. They reorganized immediately after peace was rather suddenly declared, and in altered form, but with the same ideals, they are today engaged in arming the world again. The war trusts, combines, and cartels which flourished up to and during the World War, are:

The Harvey United Steel Company, Ltd.  
The Nobel Dynamite Trust  
The gunpowder cartel

The rifle cartel

The British combine, Armstrong, Vickers, etc.

The German combine, Krupps and affiliates

The French combine, Schneider, etc.

The Harvey cartel is probably the best example of the blood brotherhood of the armament-makers. It was an international association of great nationalists, a union of patriots who subsidized navy leagues, who built dreadnoughts, who profited by every ton of warship armour bought—and by every ton of warship armour sunk. It cheered for both Russia and Japan in 1905 and after Togo's victory, divided the noblest naval order in history. For a decade it pointed with alarm and viewed with pride as Germany and Britain raced their fleet-building programs. It spurred Russia to build a fleet larger than Japan's, and spurred the Japanese to build a fleet as large as anyone's. It brought civilization to "backward" countries by selling battleships with the most modern armour plate, and it sat back and divided 15 per cent profits every year.

Like the machine gun, the Lewis gun, and the airplane, all of which have "revolutionized" warfare, the Harvey armour plate for warships was another revolutionary American invention. And similarly, instead of being kept for America, it was commercialized and internationalized. Like almost every invention which has promoted wholesale killing, it was immediately sold to known friends and potential enemies without discrimination.

The Harvey cartel was formed in 1901, incorporated in London, its list of stockholders and directors filed in Somerset House. "From a purely business point of view," read a contemporary report of the Stock Exchange Official Intelligence, "amalgamation of the companies and the firms offered many inducements. These firms must have been almost the sole users of those patents. But the moment when this international combination was promoted by the great armament firms, the tremendous step had been definitely taken of converting national defence into a huge international profit-making concern, taking full advantage of all the special opportunities which the nature of its market gave it, and bridled by none of the sentimental checks which ought to operate on that market."



In May 1902, when the cartel began to function, its directors, according to Somerset House, were:

Bettini, Raffaele, director-general Terni Steel Works (Italian)  
 Clark, John Alfred, director, Chas. Cammell & Co., Ltd. (British)  
 Ellis, Chas. Edward, managing director, John Brown & Co. (British)  
 Falkner, John Meade, director, Armstrong, Whitworth & Co. (British)  
 Fox, Edwin Marshall, gentleman (British)  
 Gathmann, August, director, Dillingen Steel Co. (German)  
 Geny, Maurice, director, Schneider & Cie. (French)  
 Hughes, John Wm., metal merchant (British)  
 Hunsiker, Millard, representative Carnegie Steel Co. (American)  
 Kluepfeld, Ludwig, director, Fried. Krupp (German)  
 Lévy, Léon, director, Chatillon Steel Co. (French)  
 Montgolfier, J. de, director, St. Chamond Steel Co. (French)  
 Richards, Edw. Windsor, gentleman, ex-president Iron and Steel Institute (British)  
 Vickers, Albert, managing director, Vickers, Sons, & Maxim, Ltd. (British)

William Beardmore, director of the armament firm of that name, joined in 1905. Edouard Saladin, director of Schneider-Creusot, appeared on the roll in 1907. Charles François Maurice Houdaille, director of the St. Chamond Steel Company, Fritz Saefel, director of the Dillingen firm, and Heinrich Vielhaber, director of Fried. Krupp Aktiengesellschaft were added in 1908. The company functioned until just before the outbreak of the World War, when the patents were expiring and when new inventions made other combinations possible. The final list of stockholders and their participation, was:

	Shares
Aktien-Gesellschaft der Dillinger Huettinwerke (Germany)	2,731
Bethlehem Steel Company (United States).....	4,301
Cie. des Forges et Acieries de la Marne et d'Homécourt (French) .....	150
Deutsche Bank, London Agency (German).....	1,350
Houdaille, C.F.M. (French).....	2,000
Hunsiker, Millard (American).....	2,000
Lévy, Léon (French).....	2,000
Saladin, Edouard (French).....	2,000
Saefel, Fritz (German).....	2,000

Schneider & Cie. (French).....	9,862
Societa degli Alti Forni Fondieri (Italian).....	8,000
Vielhaber, Heinrich Ehrensberger, Emil (German) .....	4,731

Krupp, at this period, was part owner of the Skoda works in Austria and had an interest in the Putiloff works in Russia.

Among the banks controlling stock listed in their names or for their armament clients were Ernest Rugger, 6,169 shares; Bougères Frères of Paris, 300 shares; and the Deutsche Bank with its 1,350 shares.

The chairman was Albert Vickers, director of Vickers, Sons, and Maxim, Ltd., which had absorbed the Naval Construction and Armament Co., which in turn held the patents for the Nordenfeldt submarine torpedo boats in England and Spain, also the Maxim-Nordenfeldt Guns Co., Ltd., which had been organized to take over the Nordenfeldt Guns and Ammunition Co. and the Maxim Gun Co. The subsidiaries of Armstrong-Whitworth were Armstrong-Pozzuoli, Ltd., and Ansaldo-Armstrong, Ltd., in Italy. Henry Whitworth & Co., which had a torpedo plant in Hungary, was owned by both Armstrong and Vickers before their later union.

Numerous directors and owners of the Harvey enterprise were likewise associated with the Nobel Dynamite Trust and the Chilworth Gunpowder Co.

How ignorant the American people were of armament combines which flourished openly in Europe can be seen in the testimony of two Secretaries of the Navy. Questioned if there was an armour-plate trust, Secretary H. A. Herbert replied (House Documents, vol. 58, p. 22, 54th Congress):

"I am informed upon authority which I believe to be good that there is at least a friendly understanding or agreement among the principal manufacturers of the world that prices shall be maintained at about the same level."

Several years later, Secretary Josephus Daniels, referring to the bids received for the dreadnought *Pennsylvania*, testified (Naval hearings 1914, page 621):

"When we came to the armour we rejected all the bids, and were then absolutely in a situation from which it appeared there was no relief. Though you cannot establish it in black and white,

there is no doubt of an Armour Plate Trust all over the world. That is to say, the people abroad who make armour plate will not come here and submit bids, because they know if they do our manufacturers will go abroad and submit bids. They have divided the world, like Gaul, into three parts."

Thus, at a time the Harvey combine had ceased to exist, having succeeded for more than a decade in maintaining high prices, dividing high profits, and arming the world for the world disaster, at a time Liebknecht in the Reichstag, Philip Snowden in the House of Commons, George Perris at The Hague, and others had already and with authority shown Europe the international ramifications of the warship cartel, the first rumour of its activities reached America.

But shortly afterwards the American Congress was treated to a series of ultra-sensational reports on the international war industry. The speaker was Representative Clyde H. Tavenner of Illinois, who wanted the government to own all its gun, munitions, and armour plants, and who was accused by the preparedness advocates of the time of no less a crime than hoping the factories would be established in his own state.

"Because I believe it is my duty to do so," said Mr. Tavenner (Appendix, *Congressional Record*, House of Representatives, February 15, 1915) "I desire now to take the responsibility for identifying the war traffickers. . . .

"The armour ring is the Bethlehem Steel Co., the Midvale Steel Co., and the Carnegie Steel Co. These three firms, exclusive of their subsidiary war-trafficking auxiliaries, have drawn down since 1887 from the Navy Department alone for the single item of armour plate, contracts aggregating \$95,628,912. . . .

"Now, the armament ring is composed of Midvale, Bethlehem, and Carnegie. Ammunition ring, Carnegie, Midvale, and Bethlehem. We will add to the ammunition ring, for good measure, the Du Pont Powder Trust, which has no competitors in the sale of smokeless powder to the Government. . . . The Powder Trust has obtained contracts aggregating about \$25,000,000 since 1905. . . .

"There have been nine official estimates as to the actual cost of the manufacture of armour. The average estimate is \$247.17 per ton. . . . If all this armour had been manufactured in a

Government plant at least \$35,000,000 would have been saved. . . . We are manufacturing powder in Government plants now for 36 cents per pound. . . . There is little doubt but that from eight to ten million dollars paid the Powder Trust could have been saved. . . .”

The Chilworth Gunpowder Co., Ltd., of Chilworth, England, was jointly operated by the British firm of Armstrong and the Germans Max and Karl Duttchenhofer, managing directors of the United Rhenisch and the Dueneberg Powder Mills. Krupps held about a million dollars' worth of stock in this and other British ammunition firms, according to testimony in the case of *J. Wild vs. Krupps*, heard in London October 2, 1914. The Chilworth was for international powder what Harvey was for armour plate. “The powder-makers of the world, like the armour makers,” said Mr. Tavenner, “have been in an international combine for years. Here are two paragraphs in the world agreement entered into in 1897, which agreement was used by the [United States] Government in its suit against the Du Pont trust:

“Whenever the American factories receive an inquiry for any Government other than their own, either directly or indirectly, they are to communicate with the European factories through the chairman appointed, as hereinafter set forth, and by that means to ascertain the price at which the European factories are quoting or have fixed. Should the European factories receive an inquiry from the Government of the United States of North America or decide to quote for delivery for that Government, either directly or indirectly, they shall first in like manner ascertain the price quoted or fixed by the American factories and shall be bound not to quote or sell below that figure. . . .

“The American factories are to abstain from manufacturing, selling, or quoting, directly or indirectly, in or for consumption in any of the European territory, and the Europeans are to abstain in like manner from manufacturing, selling, or quoting, directly or indirectly, in or for consumption in any of the countries of the American territory. With regard to the syndicated territory, neither party is to erect works there, except by a mutual understanding, and the trade there is to be carried on for joint account in the manner hereinafter defined.’

“Nor is this the worst: The Du Ponts and the Government

have always been in the habit of exchanging all secrets in the manufacture of powder. Government chemists and Government officers are continually experimenting to improve the quality of powder, and whenever they make a discovery of any character, full information is furnished the Du Ponts.

"And the Du Ponts have been in an agreement with a German firm—the United Rhenisch Westphalian Gunpowder Mills—to keep it informed of all improvements in the processes of powder-making.

"Here is the actual wording of the contract:

" 'Tenth. That any and every improvement upon said processes of either of them made by either of the parties hereto at any time hereafter shall forthwith be imparted to the other of the parties hereto.'

"And even this is not all. The Du Ponts agreed to keep the German concern informed at all times of all powder furnished to the United States Government, stating in detail its quality and characteristics, and even the quantity, making themselves, to all practical ends, paid informers of a foreign Government.

"Here is the exact language:

" 'Thirteenth. That the parties of the second part (the Du Ponts) will, as soon as possible, inform the party of the first part (the German concern) of each and every contract for brown powder or nitrate of ammonia powder received by the parties of the second part from the Government of the United States, or any other contracting party or parties, stating in detail quantity, price, time of delivery, and all of the requirements that the powder called for in such contract has to fulfill.' "

Continuing his series of exposures of the intrigues of German and foreign armament companies which he claimed were encouraging the outbreak of hostilities, Karl Liebknecht in May, 1914, told the Reichstag the German armament industry had a working capital of 255,500,000 marks which would shortly be raised to 270,000,000, and the market value of its securities, thanks to a great boom in the war business, was 500,000,000 marks.

The chief elements in the armament business, he said, are Krupps, Loewe, and the powder combine. "Krupps," continued Liebknecht, "is the matador of the international armament industry, preëminent in every department."

The great rivalry between Krupps and numerous strong competitors, continued Liebknecht, was ending with Krupps absorbing them all. To the Krupp cartel, the Dillinger Huette had now been added, and the Erhardt concern, the Rhenische Metallwaren und Maschinenfabrik, which held out longest, now had Krupp men on its board of directors. "There is no branch of the armament industry, however remotely connected, which the hand of Krupp does not reach."

In 1914 Krupp had also become international. An interchange of all patents with the Skoda works in Austria had united the two firms, and from 1904 on the Krupp-Skoda enterprise had been coöperating with Russian and French colleagues, especially with Schneider of Creusot. Through united labor in the Putiloff works Krupp, Skoda, Schneider, and the leading British armament firms were now working in close harmony.

"Customers," said Herr Liebknecht, "are welcome to the armament industry, wherever they come from. German arms have been exported to Ulster, and it is with German arms that the Abyssinians are giving such trouble to the British forces in Somaliland. The German Diesel Company have invented a submarine. Its Augsburg company has built submarines for France on this model. Is it not true that the new French gun has come from Germany by way of Italy?"

Replying to Liebknecht's charge that Krupps had sold naval armour to the United States at half the price for Germany, Staatssekretär des Reichsmarineamts von Tirpitz declared: "There is truth only in the fact that American firms which have obtained the Krupp patents are delivering armour plate cheaper to the American government than Krupps deliver to the German government. This is explained by the fact the American government orders large quantities at a time, I believe 30,000 to 40,000 tons."

In the summer of 1914 Krupp von Bohlen and his wife, the Baroness Bertha, accompanied by their chief technical expert, Dr. Ehrensberger, visited England, inspected all the armament plants, compared methods of production, were received with all hospitality, and came back to report to their chief stockholder, Kaiser Wilhelm II.

The Nobel Dynamite Trust Co., Ltd., organized in London

in 1886, became, in 1909, a great international armament concern at whose directors' meetings French, Italian, German, and British could shake hands, congratulating themselves on the fine business they had done year after year while the armament race was taking their governments into war.

The capital stock was \$20,000,000 and the annual dividends 10 per cent, an extraordinarily high dividend for a European corporation. The Trust held all the shares of the British South African Explosives Co., and was connected with Birmingham metal and munitions companies, and with the Chilworth Gunpowder Co. It was affiliated with the Dynamit Aktiengesellschaft (successor to A. Nobel and Co. of Hamburg), the Dresdner Dynamit Fabrik, the Rhenische Dynamit Fabrik, Cologne, and the Deutsche Sprengstoff A. G., Hamburg. The Trust had a plant in Japan, and through its relations with the Cologne-Rottweiler Shell Works, the Nobel Trust was related with British, Spanish, and Russian armament firms. Four Germans and one Frenchman were also directors of the South African enterprise.

In the summer of 1914, when all Europeans and almost no Americans knew the war was imminent, the financial press reported the directors' meeting of the Nobel Dynamite Trust as "very satisfactory for the shareholders. . . . Following on years of steadily advancing revenue, this result enables the company to maintain the 10-per-cent dividend which has been paid for the last decade as well as to put by to reserve £100,000, as in the two previous years. The working results have been so uniformly good, and have made such steady advances with the exception of the depression years of 1908 and 1909, that it is unnecessary to reproduce the figures in detail. The loans to subsidiaries, which are more than a million larger than last year, show that the manufacturing companies are going in for very large extensions. Holders have no reason to complain of their investment. The future of an international dynamite trust may, however, be very different, and the reserve policy of the directors is no doubt partly prompted by the possibility that public opinion will not much longer tolerate unrestricted competition in armaments."

The continental European rifle cartel as it existed at the outbreak of the World War is excellently described in the financial

report which may be found in the *Economist*, London, for April 11, 1914:

"A remarkable witness to the prosperity possible in the armament industry has been given by the recent general meeting of the Deutsche Waffen- und Munitionsfabriken.

"The company was founded in 1889 by the Loewe concern, which, in 1896, united with its daughter company. Today it has an ammunition factory in Karlsruhe and an armament works in Martinikenfelde. It is further associated with the armament factory 'Mauser,' in Oberndorf, with the 'Fabrique National d'Armes de Guerre,' in Herstal, Belgium, with the 'Dueren Metallwerke,' with the 'Societa Metallurgica Bresciana' in Brescia, and with the 'Comp. anonyme Française pour la fabrication des Roulements à Billes,' in Paris.

"From the Belgian factory it has in recent years been receiving a dividend of 30 per cent, from the Dueren works, since 1907, a steady 12 per cent. Originally the 'Deutsche Waffen' had a capital of £300,000. In 1896 the capital was doubled; in 1899 raised to £750,000; as early as 1890 its dividends were 7½ per cent; three years later they were 15 per cent, and from then on they have risen steadily to 32 per cent in 1912. The dividends, however, can give little indication of the companies' profits; reserves and writings off are disproportionately high, and the directors seem to have found it almost difficult to dispose of their surpluses. The chief shareholders in the concern are the Rottweiler Powder Factory, Herr Louis Hagen, the Ludwig Loewe Company, Prince Henckel von Donnersmarck, and the Nationalbank fuer Deutschland.

"Over 80 per cent of the company's products go abroad. . . . Dividends this year were declared at 32 per cent, the same rate as for 1912. . . . As the existing shares last week were quoted at the rate of 624 per cent, the profit for the shareholders is, it will be seen, enormous. In conclusion, it may be mentioned that it was this same firm which some time ago earned unenviable notoriety through the story of an attempt to get printed in a French newspaper false rumours of a further increase in armaments. It is this same firm, too, which is said to have placed its materials and inventions at the disposal of the Russian government, another instance, together with its associated companies,



of the strangely international character of the armament industry."

The original contract of the German-French-Italian-Belgian rifle combine contained the following stipulations:

"Contracts for weapons, involving the deliveries of repeating rifles or carbines, for Russia, Japan, China, and Abyssinia, will be worked in common, and the profits will be divided among the group on the arranged scale. . . ."

Another paragraph provided for the exchange of designs for rifles among all nations.

Paragraph 3 concluded: "Prices for delivery of weapons and bids to be made will naturally be set by the group."

The founder of the Waffenfabrik, Herr S. Loewe, became a director of the Maxim and Nordenfeldt Gun and Ammunition Co. of London in the first years of that concern, and when Vickers, Sons, & Maxim, Ltd., was formed by merger, Loewe became an associate of Basil Zaharoff. He thereby made profits out of all the wars until 1903, when he died. But the relationship of British and German gun men did not end. Vickers continued as British agents for the Waffenfabrik when Paul von Gontard became its head.

Another important director of the Waffenfabrik was Baron Oppenheim of Cologne, who also helped direct the Compagnie Internationale des Wagons-Lits. In this latter company Baron Oppenheim had as a colleague M. Lannes of Montebello, author of the French three-year military-service plan. "Is it not a singular association?" asked Professor Delaisi at the time. "The grandson of Marshal Lannes—a French deputy and vice-president of the Committee for Military Affairs—sitting upon the same administrative board as Baron Oppenheim of Cologne, one of the heads of the principal German ordnance factory.

"So we have the military projects of the French Nationalist deputy contributing by their recoil to the furnishing of orders for guns from the German baron, and the armaments demanded by the latter serving as pretext for the campaign for three years' service launched by the marshal's grandson. . . ."

The relations of the British armaments firms with their enemies as well as their friends have already been mentioned, notably in the Harvey and the Waffenfabrik cartels. Vickers and Armstrong

were the two leading war enterprises before the war. Today they are one. Amalgamation in England began as early as 1862 with the Elswick Ordnance Co., of which W. G. Armstrong was the head. He joined with others to form Sir W. G. Armstrong, Mitchell & Co., Ltd., and added warships to his wares. The London Ordnance Works was absorbed, and later the Chilworth Gunpowder Co. was entered. Armstrong-Pozzuoli was founded before the war. In 1914 Sir Andrew Noble, bart. K.C.B., F.R.S., late captain Royal Artillery, was chairman, and among the directors was Sir Charles Ottley, former British naval *attaché* in the United States.

Just before the war, at a meeting of a World Peace Conference in The Hague, George H. Perris of London, one of the first if not the first to call attention to the war-traders' international, said of this company:

"I will take the case of Messrs. Armstrong, Whitworth & Co., as a sample of the patriotism of these traders' firms. The chairman is one Sir Andrew Noble, and I beg you to note the impartiality of his patriotism. He is a baronet and a knight commander of the Bath of Great Britain, a member of the Order of Jesus Christ of Portugal, and a knight of the Order of Charles the Third of Spain. He is also a first class of the Sacred Treasure of Japan, a grand cross of the Crown of Italy, and is decorated with Turkish and Chilean and Brazilian honours. His patriotism's truly the larger patriotism. But, unlike our patriotism, it has a strict cash basis. Messrs. Armstrong will build warships for any country in the world; they are quite impartial. They are constantly sending armour plate to all parts of the world, no matter what is the cause of the dispute. You will observe the double influence of these sales, for if they sell a battleship to a foreign country it becomes an argument for increasing the British fleet in turn, and that means a new increase of order for Armstrong, Whitworth & Co. Some of you have no doubt looked down, as I have, upon the chimneys of the Pozzuoli-Armstrong Co. which pollute the Bay of Naples. Here Great Britain helps to maintain the fighting force of Germany's ally. There is also the Ansaldo-Armstrong Co. of Genoa. These companies not only build for Italy, but also for Turkey. I do not know whether the warships of those two countries actually came in contact in the Tripolitan

War, but if they did they may both have been impartially built by Armstrong, Whitworth companies. You also remember the curious triangular puzzle lying over the destinies of the Far East in the relations of Russia, Japan, and China. The Armstrong Co. has its own ordnance and armour-plate works in Japan. It is always seeking orders for armaments in China. At the same time, in conjunction with two other British firms, Maxims and John Brown & Co., and also in connection with Blohm and Voss, of Hamburg, and Messrs. Schneider, this triple alliance is building up a new fleet for Russia, at the cost of the famine-stricken peasantry. The Armstrong firm is at the present moment part owner of the Hispaña Naval Construction Works at Ferrol. Another British syndicate is building a new fleet for Portugal, which is always trembling on the brink of bankruptcy. Heaven forbid that Spain and Portugal should quarrel; but what are these fleets for but to quarrel with? Whatever follows, the money will go into the pockets of these salesmen. The Armstrong, Vickers, and Brown firms are now building up great ordnance shipbuilding works in Canada for the exploitation of the innocent patriotism of the people of that colony. What country is the enemy of Canada? On one side is the American nation—"Cousin Jonathan," as we call him. Across the ocean lies the rising Empire of Japan, which is England's ally."

Of the part the armour ring played in political intrigue during the naval race, which generals and admirals and statesmen now join in naming the chief cause of the World War, more will be said later. Vickers, Armstrong, Beardmore, Cammell, Maxim, in short all the British leading armament makers, were also joined in a great cartel formed in 1901 and known as the Steel Manufacturers' Nickel Syndicate, Ltd. In 1903 it became international when Schneider-Creusot, Krupps, and Dillingen joined, and in 1905 still more so with the addition of Terni in Italy, and Witzkowitz of Austria.

The Plate and Tube Associations, formed in 1904 to limit waste and over-production, to standardize and to partition the world markets, had armament interests, although it was not wholly a war firm. In France many war firms combined into two unions, the *Fabricants et Constructeurs de Matériel de Guerre* and the *Constructeurs de Navires et de Machines Marines*. Upon forma-

tion of this trust the price of armour plate, which had been 2 fr. 27 rose to 2 fr. 96 per kilogram. The difference of about 14 cents a kilogram may not seem important—but dreadnoughts required 5,000,000 kilograms each and the profits of uniting were enormous.

A final instance of the international coöperation of the war trusts: In 1905 ore was discovered at Ouenza in North Africa—one of the richest beds of hematite, suitable for making cannon. Almost immediately France, England, and Germany were brought to the verge of war by the commercial patriots who wanted these minerals for themselves. But while the governments prepared to fight, France's armourer, Schneider, organized the Union des Mines Marocaines, and sold stock to an international consortium of which Krupp was a leading member.

The Harveys, Zaharoffs, Schneiders, Krupps, Vickers and Armstrongs, it is all too evident, had no thought but profit when they coöperated in arming the world, when they exchanged patents and secrets, when they spurred nations, including their own, into the armaments race. With the aid of navy leagues and similar patriotic societies, the armament international created the dreadnought competition—and dreadnought competition, then as today, inevitably leads to war.

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### Armament-makers Arm the Enemy

NOT content with the slow profits of arming the world for wars, the gun-makers, by playing upon the fears and hates of nations, the inferiority and superiority complexes which exist in countries as well as in individuals, brought on the periods of quick profits—*i.e.*, actual warfare. They armed both sides of most conflicts and they armed the enemies of their own countries. The World War was a climax, not necessarily the greatest, in the history of armament races, and the Zaharoff war against Kemal Pasha the most conclusive proof in history that armament salesmen want wars and lead them. But before 1914 the most brilliant achievements of the gun international had been:

The Balkan Wars

The militarization of Japan

The first Sino-Japanese war

The Russo-Japanese armament race and war

The rearmament of Russia for a revenge war

The distribution of arms to warring tribesmen

The South American armaments race and wars.

Of these inspired armament races and the wars which were the prelude to 1914, the most important is probably the creation of Japanese militarism.

Japan, as everyone knows, was a drowsy, peaceful, and therefore "inferior" country until Admiral Perry opened its ports to world trade. No sooner did international commerce touch its shores than warships followed. The British sent a naval mission. The objective of naval missions is twofold: to obtain armament orders for the naval constructors back home and to make the inferior country rely on its powerful adviser and perhaps sign a secret treaty for war.

The entry of Japan into naval competition dates from 1894, when, owing to a depression in England, British war firms persuaded the Japanese admiralty to indulge in a great expansion

program. The United States used its part of the Boxer indemnity for educating Chinese youth; the Japanese were influenced by the British armament-makers to spend their part on warships. From 1895 to 1900, Professor Stimson of Vermont shows in his study of depressions and armament races, Japan imported an entire navy, and in 1903 began building. In 1911 private yards entered the race, and by 1914 they exceeded the government yards in output.

Today Japan is an aggressive power. All the charges against German imperialistic militarism of 1914 are now made against the Japan of 1934. Japan is called a menace to the peace of the world. Military leaders among themselves say the next great war will be the war in the Pacific. The United States, Russia, and England may be involved, as well as China. It may result in a world catastrophe. And its origin will be the desire for business and profits of British and other armament-makers who in time of depression and with the blessings of their governments and the aid of "missions," built up a foreign navy and army with which national imperialism has flourished.

The moment the armament-makers succeeded in creating the nucleus of the Japanese navy, they turned to China and to Russia, warning them as old friends that national safety could be assured only by larger navies. The road to disaster was open for China and Russia. Then, after 1905, the American warship-makers had no difficulty in persuading the American government to replace Russia in a naval race in the Pacific. The United States became the inheritor of the British depression armament salesmen's brilliant plan of 1894.

The creating of South American navies, Professor Stimson shows, was also due to a depression in England during the years the government eased its dreadnought competition with Germany and the slips and ways and docks were empty or idle. Salesmen and missions were sent to the A.B.C. powers; with an order from Brazil it was easy to persuade Chile to buy a battleship, and with either order in one hand, the other could not fail to get one from Argentine. The Far East, the Balkan, the Pacific, the North Sea, and the South American naval manoeuvres of the armament companies have always been played with the same rules.

Unequalled in history for its casual bloodiness is the method

of salesmanship employed by an early American armament firm, the Gatling Gun Co. of Chicago.

When Dr. Gatling invented that revolutionary instrument which bears his name, he gave automatic firing to the world and supplied the inspiration for Maxim to develop the machine gun. Both these inventions have changed the character of modern warfare because they have made mass slaughter the rule instead of the exception, and therefore created the large standing army and conscription.

Gatling offered his gun to the Union forces. The history of warfare is a continuous repetition of the failure of the military leaders of all countries to understand, accept quickly, and use revolutionary weapons. The War Department did not believe in the efficacy of automatic fire.

The Gatling Gun Co., accordingly, organized some workmen into gun crews which joined the regular forces in battle with the Confederate forces, placed their guns in action, showed the Union officers how to kill quickly and in numbers, and then proceeded to Washington with conclusive and bloody proof that they had a fine gun. The men who had engaged in the battles did so without animus; they were out for purely commercial reasons. It was merely the armament salesman's eloquent public demonstration.

In 1869 the British government's technical committee bought Gatling guns for tests. Turkey and Russia and Egypt followed, then China and Japan, Tunis and Morocco. Soon most nations had them and there was not a revolt, a civil uprising, or a war anywhere without the Chicago firm making its profits from one or both sides.

During the Civil War there was a great patriotic howl over the arrival of the French in Mexico. It was obviously a flagrant breach of the Monroe Doctrine which called for war. But Mr. Lincoln was too busily engaged. Yet, at a time when the Northern troops needed rifles and bullets desperately, other American patriots in the New England states shipped large quantities to that same Emperor Maximilian whom they might at any moment be called upon to fight. And Mr. Lincoln's Secretary of State, Mr. Seward, replying to Mexican protests over the shipment of arms, asserted American commercial rights, otherwise "com-

merce . . . instead of being free and independent, would exist only at the caprice of war" (December 5, 1862).

In April, 1866, the Prussian Minister of War wrote to the Krupps "out of regard to the present political conditions, to undertake not to supply any guns to Austria."

The Krupp reply was that a contract was a contract, yet out of patriotic motives they would cease shipments. They had already delivered the greater part of the order, and when Prussia and Austria met on the battlefield at Koenigratz and Sadowa, Krupp guns were used on both sides.

But Krupp patriotism is seen at its best in the famous letter addressed two years late (and just two years before the outbreak of the Franco-Prussian War) to the Emperor of France, Napoleon III:

PARIS, January 23, 1868

SIR:

Encouraged by the interest which Your Gracious Majesty has shown in a simple industrialist and the fortunate results of his endeavours and his unheard-of sacrifices, I venture once more to approach Your Majesty with the request that Your Majesty will condescend to accept the accompanying album. It contains a collection of drawings of various articles manufactured in my workshops. . . . I humbly beg Your Majesty to receive the enclosed report of a series of firing tests which have just taken place . . . in Essen under the direction of Major-General Majewsky by order of the Emperor of Russia and of others. . . . I venture to hope that the last four pages, which show the steel cannon which I have manufactured for various High Powers of Europe, will be worthy of Your Majesty's attention for a moment, and will be an excuse for my boldness.

. . . I venture to submit these tests, the equal of which have never been made and which will revolutionize artillery. . . .

With the deepest respect and the greatest admiration,

Your Majesty's most humble obedient servant.

Napoleon was interested. He might have gotten a fine lot of Krupp guns for the coming war, but patriotism in the person of General Lebœuf intervened. A Frenchman must make the guns for France. The third Napoleon capitulated. The order went to Schneider in Creusot. M. Schneider was a relative of General Lebœuf's.



As a compensation for a fellow armourer, Lebœuf sent Krupp the following letter:

The Emperor has received the album with much interest and has commanded that you shall be thanked for it and given to know that his Majesty has a lively desire for the success and expansion of an industry designed to render such important services to humanity.

Alfred Krupp made 25,516 cannon, of which 10,666 were for Germany; by the end of 1912 the house of Krupp had made 53,600 cannon, of which 26,300 were for the Fatherland, 27,300 for fifty-two nations the majority of which soon became the Fatherland's enemies. Krupp guns were actually used against Germany in the Great War.

All the wars which came out of the Balkans were deplored in the public speeches of premiers and chancellors who knew only too well that the armament companies which were affiliated with their own governments were largely responsible for those very wars. In 1912 it was generally known that the war then waging was in many respects a competition between Essen and Creusot. But it was not a competition between these firms and Zaharoff, because Zaharoff, being wiser than his colleagues, had done business with all the nations involved before the outbreak of hostilities.

British, French, and German manufacturers not only outfitted the armies and navies of the belligerents, but inaugurated the competitive armaments system. There are historical proofs that they encouraged the enmity which led to wars and helped finance the result. At the time the Serbians fought the Albanians in 1913, quarrelled with Bulgaria and began to involve Montenegro and Greece, "an unedifying scramble" was going on between the French, German, British, and Austrian gun-makers "as to which shall be allowed to complete the ruin of these unfortunate states."

Commenting on the report of the Carnegie Endowment for International Peace on the Balkan Wars in July, 1914, a British financial journal charged the Great Powers with regarding the Balkans "simply as a market for their armaments; their only point of agreement has been to make as much profit as possible all around. That is why the reforms in Macedonia never came

off. . . . If tomorrow the Great Powers, instead of competing in supplying cannon and dreadnoughts to Greece, Serbia, Bulgaria and Turkey, were to provide them with bridges, roads, rails, canals, schools, machinery, etc., the revival of industrial activity thus created would bring security in its train. . . . The salvation of the Balkan population constitutes, for the Great Powers, a business proposition. . . . Meanwhile, philanthropic agencies should endeavour to persuade the Greeks, the Bulgars, and the Serbs to see that their animosities have been, and still are being, exploited by foreign armament firms. . . .”

The wars between Turkey and Greece were among the richest achievements of the armament-makers. No man was more responsible for the arming of Turkey than the Greek Zaharoff. This was his ingenious little plan: when submarines practical enough for warfare were developed, Zaharoff returned to his native land and presented his country with the first. (*Timeo Danaos et dona ferentis.*) Immediately the submarines arrived at Piræus the great salesman called on the Turks and persuaded them their safety lay in two submarines. It was then a simple task to persuade the Greeks to order two more, then the Turks. . . . So it went with all weapons.

In 1913 Turkey, exhausted, almost ruined and partly starving, could not pay for the dreadnought it had ordered from Vickers in December, 1911. But when the Greek government was persuaded by the Germans to order a 19,500-ton 23-knot ship carrying eight 14- and twelve 6-inch guns, the Turks made a deal with the Banque Périer of Paris by which funds were provided in exchange for a tramway concession for Jerusalem and Bethlehem.

At the same time the dreadnought *Rio de Janeiro* ordered by Brazil was put on the market. The Turks and the Greeks bid. But Armstrongs preferred the cash from the Périer Bank to Greek promissory notes, and thanks to French money British warships were provided for a country which in less than a year was at war with both these allies.

The British went farther. They supplied a naval mission to both the Greeks and the Turks. Rear-Admiral A. H. Limpus on the active list of the Royal Navy became the principal adviser to the Turkish, and Rear-Admiral Mark Kerr adviser to the Greek, governments. “Can these missions to stimulate the growth of

foreign navies," asked the *Economist*, "be reconciled by a Cabinet which contains the names of Morley and Harcourt—we will not say with Liberalism—but with any moral ideals? It was bad enough that our French neighbours . . . should have supplied the arms and money for the Balkan War, which has produced such unspeakable miseries and atrocities in southeastern Europe. . . . The traffic in armaments must be regulated like the traffic in alcohol or the traffic in opium. A civilized government cannot complete their political and economic ruin. . . .

"Of course the encouragement of military and naval armaments in the Balkans by the war offices, admiralities, armament firms, or bankers of France, Germany, and Great Britain is only one example of a world-wide procedure which is wrecking progress and imperilling legitimate investments all over the world."

In December, 1913, British industry and patriotism reaped the first fruits of its mission. The Armstrong-Vickers group and the Ottoman Minister of Marine signed a contract which the *Daily Telegraph* called "a brilliant success for British industry and English influence in Turkey." Rear-admiral Sir Charles Ottley in the name of Messrs. Armstrong and Sir Vincent Cailard, long-time president of the Ottoman Public Debt, in the name of Messrs. Vickers, agreed to reorganize the arsenals and dockyards of Turkey, build a naval base at Ismid, install floating docks capable of holding the largest ships, and, in short, put Turkey on a war basis at sea. The semi-official Reuter Agency thought "the importance of the concessions from a political standpoint is very considerable, taken in conjunction with the British Naval Mission. Turkey practically commits herself entirely to the hands of Great Britain in the matter of naval development, and the British proposals have won the day, in spite of strong opposition from other foreign groups."

But while Britain was rehabilitating Turkey at sea, Mr. Churchill was also resuscitating the Greek navy, and thanks to this manœuvre, orders for British armaments were also arriving from the rival. In July, 1914, it was reported that "another war between Greece and Turkey has become imminent," and on the 25th of that month—more than three weeks after the assassination of the Archduke at Sarajevo, and less than a week before war broke throughout Europe, it was reported that "diplomatic

intervention has temporarily voided" a new Balkan conflict, but that "naval armament expenditure in both countries is now in full swing and the only difficulty is the provision of ready money. . . ."

The financial press, which opposed war at that time, made some bitter disclosures. It pointed out, for example, that the British-built *Reshad*, a dreadnought of the *King George* class, was in reality a more powerful ship than any ever built for the British navy; it told the public that the real object of the Kerr mission to Greece was "to stimulate the Greek navy for the purpose of a future war with Turkey," and to obtain loans in London which provided that the money was to be spent with the armament firms; it warned Mr. Asquith that the financial condition of the Balkan countries was already desperate, and finally it warned the British public against investing in the new Armstrong-Vickers "Imperial Ottoman Docks." A political opponent charged that "Behind Admiral Kerr and his mission stand some as yet unrevealed group of British warship-builders, armour-plate rollers, gun and projectile manufacturers." The Turkish works were to have been completed in the spring of 1914. British guns had been delivered and installed. When war was declared the Armstrong-Vickers combine refunded the investment of the British shareholders. But it could not take back its ships and its shells. The tragic aftermath was recorded in the House of Commons:

LT.-COMMANDER KENWORTHY: Is the right honourable gentleman not aware that British men-of-war were sunk in the Dardanelles by mines supplied by British firms, and is he prepared to see a repetition of that?

MR. CHAMBERLAIN: I am not contemplating a new war with Turkey. . . .

T. WILLIAMS: Is it not a fact that there is in Bedford Park a large gun captured from Germany which was made in Great Britain to kill British people?

THE SPEAKER: That question is irrelevant.

(Parliamentary Debates, Aug. 2, 1926)

Thus many years later Mr. Chamberlain was again upholding the commercial right of a Birmingham firm to sell guns and ammunition to Turkey.

Speaking on the naval estimates on March 11th of the same year, Mr. Hugh Dalton, a former soldier and under-secretary in the Labour Government, more dramatically described the result of British armament enterprise in Turkey. He said:

"Vickers had been supplying the Turkish artillery with shells which were fired into the Australian, New Zealand, and British troops as they were scrambling up Anzac Cove and Cape Helles. Did it matter to the directors of these armament firms, so long as they did business and expanded the defence expenditure of Turkey, that their weapons mashed up into bloody pulp all the morning glory that was the flower of Anzac, the youth of Australia and New Zealand, yes, and of the youth of our own country? These men, these directors of armament firms, are the highest and completest embodiment of capitalist morality."

How China and Japan were spurred into war by the dreadnought-builders is revealed in the biography of Sir William White, K.C.B., chief designer of the British Admiralty and later director of warship construction of Messrs. Armstrong, Whitworth and Co. The revelation is not in the form of a confession; it is rather a shout of triumphant patriotism—and good business.

"Great armament firms," says the biography, "have no national or political prejudices; they are concerned not with the ulterior object of war, but with the immediate means by which victory may be secured; and the value of such abstract ideas as justice or liberty they leave for the discussion of idle and metaphysical minds, or employ the terms as convenient euphemisms by which the real objects of statesmen may be cloaked and the energies of a people directed. White was not unwilling to play the part of *honnête courtier* by pointing out the growth of the Japanese navy to his Chinese clients, or of the Chinese to their indomitable rivals. In doing this he was careful to insist on the confidential nature of his designs, and the daily progress of our scientific knowledge. By such means he was able to increase the profits of the great company which employed him, and to extend what is, perhaps, the most important of our national industries, and to kindle in the hearts of two Asiatic peoples the flames of an enlightened and sacred patriotism."

This letter is the complete key to the mentality of the international armament-maker. Sir William White, like Sir Basil Zaharoff, considered himself an *honnête courtier*; but it is obvious to the more modern naked eye that these brethren are the greatest of the world's *agents provocateurs*.

In the construction of the Japanese battle cruiser *Kongo* another brilliant feature of the gun international was disclosed—the sale of a country's secrets to foreign nations. When the *Kongo* was completing at Devonport it was equipped with forty torpedoes “of a new and secret design which has been made by Messrs. Whitehead & Co. . . . officially known as the V.L. 21-inch weapon, a great improvement upon the British Admiralty's Hardcastle torpedo; . . . The secret lies entirely in the motive power. . . .”

This torpedo, it was at first announced, was to be used only by the allied powers, Britain and Japan. But shortly afterwards it became known that the firm was selling the V.L. 21 to the United States also.

Having originally proposed to Japan that it build a powerful navy and having encouraged Russia to meet this new threat to its supremacy in the Pacific by building a still larger navy, the armament-makers rejoiced universally when the new Japanese fleet destroyed the old Russian fleet in the last decisive naval encounter in history.

The reward for the war-makers was the greatest windfall in armament history: after the 1905 disaster the Tsar's government invited Vickers, Armstrong, Krupps, Blohm und Voss, Schneider, Skoda, and others to divide 1,300,000,000 rubles, about \$650,000,000 or £130,000,000—for the military and naval rehabilitation of Russia. The Duma authorized the amount in 1912 and loans were floated. The money came largely from Paris—it was the Bolshevik default on these armament loans which made France the enemy of Russia.

During the Russo-Japanese War, England, the ally of Japan, supplied armament to both sides as it had done before the war. Zaharoff now formed an alliance by which the St. Petersburg Ironworks and the Franco-Russian Company were floated, and through the Russian shipbuilding firm he received orders for two battleships for the Black Sea. Meanwhile Beardmore, a Glasgow

branch of Vickers, coöperated with Schneider of France in building dockyards and a cannon factory in Reval. The Russians insisted on the creation of war-plants in their own country. The graft in government circles was impressive. In 1913 Vickers in conjunction with leading St. Petersburg banks was granted a concession at Tsaritsyn on the Volga for extensive cannon-works.

In the construction of shipbuilding, cannon, rifle, and powder plants throughout Russia, the French and the Germans and the British and the Austrians worked side by side. The Schneiders brought the plans and specifications of the famous French 75 to Russia. Whether the Germans copied the plans there or bought them elsewhere has not been established. It is a fact that while the French boasted that their gun was the finest of that calibre, the German 77, about which little was said, was quite as murderous a weapon. And this fact can be stated without qualification: thousands of German and Austrian soldiers were killed with the guns which German Krupp and Austrian Skoda workmen built for their enemy at Putiloff and other plants in Russia.

That was one of the secrets of the World War. Vaguely, many soldiers, including the Americans who came into the conflict at a time barrage fire had been mathematically perfected, felt that at times they were being shelled and killed by their own guns. American generals admitted later that this had occurred. In all armies there were and will be times when the artillery will slaughter its own infantry. But not a soldier in any army suspected that the guns of the enemy and the shells of the enemy were delivered to that enemy by the international munitions-makers before the war.

It could not be otherwise. Germany as well as France and England armed the Balkans, and when the Balkans chose their champions in 1914, Krupp guns were turned on Germans, Vickers and Schneider guns killed British and French. It was inevitable.

It has happened in many wars and must happen again. The Boer War became a test for British arms because the enemy used the same Vickers machine guns which Lord Roberts brought with his men to South Africa. During the years the British fought the tribesmen on the Northwest Frontier, the British rifle-makers were shipping arms destined for the enemy. The Northwest tribes possessed between 150,000 and 200,000 rifles which

patriotic Englishmen had sold to Muscat. Muscat, it was known, armed the Near East, India, and Persia. The Japanese, England's ally, in 1910 sold 60,000 rifles and 6,000,000 cartridges, seized from the Russians in Port Arthur, to representatives from Abyssinia, who shipped them to Djibouta and sold them into the interior. Eventually these rifles were used to kill French and British soldiers in the East.

One of the most astounding examples of the rewards of the international arms traffic is told by Rear-Admiral Murray F. Seuter of the British navy, who records that he received permission from the Admiralty in 1913 "to conclude an agreement with the Parseval Company in Bitterfeld for a new airship, size 300,000-cubic-feet hydrogen-gas capacity, 279 feet long, diameter 47.8 feet. . . . When the German U-boats began to grow menacing, it was seen that small airships like the Parseval were extraordinarily effective in countering the U-boat danger. A contract was immediately drawn up which called for the quick construction of such airships." Thanks to the Parseval Company's business deal of 1913, German submarines were sunk the next year and German sailors perished. The Parseval was also sold to two other enemies of Germany, Japan and Russia.

There are not ten, but a hundred, more instances which can be cited. They involve a thousand, ten thousand, perhaps a hundred thousand deaths. But they are the minor incidents of the vast international armaments race which some seven large armament firms have sponsored and which have caused not ten thousand or a hundred thousand deaths, but ten million and more.



## Chapter Four

### Naval Race: Inevitable War

THE most abysmal stupidity in modern times, many military experts and political leaders who have the advantages of historical distance, now agree, was the Kaiser-Krupp-Tirpitz naval race with Great Britain. The money for ships, expended on land, would have won the war for the Central Empires. The money invested in submarines and airplanes instead of dreadnoughts, another group of naval students say, would have paid better dividends, perhaps victory. The dreadnoughts, students of politics agree, were a threat to England, an invitation to battle for the rule of the seas. England had to honour its undertaking to revenge Belgium in order to rule the future waves.

Tirpitz united German imperialism in the belief that a big navy and nothing else would break British "encirclement," provide a place in the sun, and help along the sale of cotton socks in South America. (How Germany, 1918-1934, disarmed at sea, without warships to protect the trade routes which all naval leagues believe the chief duty of empire, was able to regain her South American markets, and do mercantile business around the world, is the present puzzle of all the big-navy boys.)

Germany's campaign for world power required unlimited armaments. It passed through four stages, according to Viscount Bryce: "the working out of a fundamental philosophic basis, chiefly concerned with the conception of the state; secondly, the elaboration in detail of the hopes and ambitions of the nation; thirdly, the exploitation of these theories and plans, diplomatic and military, for carrying out these plans, theories, and ideas and aims among the people; and lastly, the working out of definite plans, diplomatic and military, for carrying out these plans and attaining these aims." The German people were inoculated with the doctrine that the German state was the German armed strength. The Moltkes and Bernhardis and Nietzsches philosophized on the will to power; the Krupps and the Tirpitzes translated it into guns.

No sooner had the armament race begun than many Europeans

realized it was meant to end in war. French economists declared it would lead *vers l'abîme*. From the French gun race after the Franco-Prussian war until the end of the century, armaments became not only excessively expensive, but an unbearable burden because they outdistanced national wealth in growth. On August 24, 1898, the Tsar of Russia (of all men) took a great step to halt the race and preserve the peace. He addressed a note to all governments saying "a universal peace and a reduction of the intolerable burdens imposed on all nations by the excessive armaments of today is the ideal towards which every government should strive. . . . The unceasing increase in financial burdens is threatening the very roots of public prosperity. To set a final term, therefore, to these armaments and discover a means of preventing calamities that threaten the entire world, is the supreme duty of the modern state."

To which the generals of Germany, the Krupps, and their largest individual stockholder, the Kaiser, pleaded that armament expenditure, instead of being a burden, was a sacred and patriotic duty. The first Hague peace conference ended in failure. In the second meeting the Krupps were successful in passing a resolution preventing the nations from interfering with the international shipment of guns and ammunitions. Both peace conferences were followed by extraordinarily increased army and navy rivalry. Especially navy.

Modern naval rivalry may be said to date from the indecisive encounter between the *Monitor* and the *Merrimac* which revolutionized war at sea. It ushered in the steel age. It led directly to the indecisive encounter between Germany and England, between Jellicoe and Scheer in the one sea battle of the World War which the British call Jutland and the Germans Skagerrak. The battle of the *Monitor* and the *Merrimac* turned naval history at first into a race between explosives and armour plate. It marked the opening of the age of the armament-makers.

Sir W. G. Armstrong, quitting government employ at the Woolwich arsenal, established himself privately and built the *Esmeralda* for Chile. This ship was superior to all British ships in equipment, speed, and fighting potentialities.

Having delivered the *Esmeralda* and collected his millions, Armstrong launched himself upon a campaign of oratory, pa-

triotically arousing his native land to the danger of a foreign navy which now had a better warship than any in Britain. The Admiralty listened and ordered *Esmeralda* guns, equipment, and mountings.

Armstrong then built the *Piemonte* for Italy and advertised it as the finest warship in the world. Chile's South American rivals and Japan read these notices and ordered *Piemontes*. At one time, Newbold points out, Argentina and Chile, arming for war with each other, had battleships side by side in the Elswick yard.

From 1870 to 1875 France engaged in an artillery race with Germany, completing 494 batteries each of six guns. In 1871 the Brothers Mauser, mechanics at the German state factory at Oberndorf, Wuerttemberg, perfected a new rifle and obtained the right of private manufacture. But because the Mausers joined the rifle international, the German government in 1875, when it had reequipped its army with Mausers, found that some were made in German plants, others in Liège, Belgium, and still others in Birmingham. Ludwig Loewe, a German-born resident of the United States, having "borrowed" the designs of the Pratt and Whitney Martini-Henry rifle, made in Providence, R. I., returned to Germany and went into the gun and machine-tool trade. Before going into business privately he helped the government establish the state armament works and in the Reichstag joined the National Liberals in supporting increased armament expenditures.

When France completed its field rearmament it began building ships to defend itself against England.

In the 1880's, when Britain was superior to France and Germany in every naval way, an unfounded series of rumours led to a race between these countries. British big-navy propagandists proved that France had as many ships as Britain—but did not state that most of the French ones were obsolete or worthless. Cammell and Brown made new armour plate; Schneider invented all-steel armour; Armstrong in England, Krupp in Germany, improved their powder and their breech-loaders, and proved by test they could smash anything the armour-makers could invent. Armstrong then produced unarmed ships, the speediest afloat, which they claimed would doom any armoured but slow navy. The

French began making torpedo-boats they claimed would doom all existing types.

The year 1884 was a great one in the European naval race. Thornycroft of Chiswick and Alexander Fernandez Yarrow designed still superior torpedo-boats. The battleship was considered as dead. All the nations went in for torpedo-boats. Yarrow built 110 for Russia at a time war between Russia and Britain threatened—in fact, the last of these boats was taken over by the British government because the situation was so tense. With Lord Charles Beresford presiding, Yarrow in 1884 made a rousing armament speech, warning England of the danger the Russian navy had become now that it had 115 torpedo-boats. The downfall of England was predicted—unless torpedo-boats. . . .

Britain ordered fifty from Yarrow in 1884 and 1885.

But the French held manœuvres and found the new torpedo-boats were swamped easily. France changed its plans, and all the world did likewise. The torpedo-boat was abandoned and the race began in torpedo-boat-catchers of 1,000 tons, which now became the bulwark of the fleets. But not for long. They proved difficult to manœuvre and offered too great a target. Moreover, Armstrong, indefatigable in his own field, came forth with smokeless powder and new quick-firing guns. Again Armstrong announced the doom of the navy—the navy of unarmoured ships, this time, and especially of the new-fangled torpedo-chasers.

The big battleship, heavily armoured (to be escorted by smaller, fleetier craft) returned to power.

The naval race was now spurred along by four big interests:

Armstrong and Whitworth, for heavy guns.

(Armstrong for heavy mountings and quick-firers.)

Vickers, Maxim, Nordenfeldt, Hotchkiss, for machine guns.

Yarrow, Thornycroft, Palmer, etc., for torpedo craft, and

Thompson, Fairfield, Palmer, etc., for cruisers.

John Brown, Cammell, etc., for armour plate.

Most of the European governments now encouraged the armament-makers in their race. The Italian Minister of Marine, Brin, promoted the Terni, Pozzuoli and other Anglo-Italian munitions, armour and torpedo works in Italy. Lord Rendel, an Additional Sea Lord, resigned from the Admiralty to become Armstrong's

resident manager at Pozzuoli. France replied by encouraging its armament firms to engage in foreign trade, and in 1886 sent M. Bertin as naval adviser to Japan. From 1887 to 1890 Japanese warship orders were diverted from Britain to France. Schneider made the torpedo-boats.

Seeking an alliance with Russia, enemy of Britain, France encouraged Schneider, Chatillon-Commentry, Chantiers de la Méditerranée and other firms to do business with Moscow. This armament business, here as elsewhere, resulted in a treaty for war as well as for peace and further spurred the armament race.

When Franco-Russian coöperation was forecast through mutual armament works, both Britain and Germany became alarmed. Krupps felt that the Schneider combination was a threat to them, and Armstrong, Mitchell & Co. feared their international trade was menaced. The naval race continued.

The failure of the French manœuvres of 1886 brought Italian orders to Armstrong, who built the *Italia*, the *Lepanto* and three more battleships which Newbold calls monstrosities. In 1888 the British press inflamed the public: France was the enemy, Italy the ally, and only £20,000,000 for national defence could save England from an attack. In the spring of 1889, says Newbold, "Lord George Hamilton capitulated to the scaremongers and brought in his Naval Defence Act which should really be described as an Act for the endowment of the armament firms." It called for eight first-class battleships, four to be built in private yards, two smaller ones, nine first-class cruisers, five to be built privately, thirty-three smaller cruisers of which seventeen were for private firms, and eighteen gunboats, one-third to be privately built. Ten million pounds for war craft and eleven and a half million for dockyard work. "We have so framed our scheme," said Lord George Hamilton to Parliament, "as to bring into world-wide prominence the incomparable power of this country and its enormous resources . . . and if there are any nations abroad who do wish to compete with us in naval armaments, the mere enunciation of this scheme will show them the utter futility of their desire."

Who can say whether his lordship was sincere or merely uttering fine-sounding public words? The result was exactly what the enemies of the big-navy movement expected: France passed supplementary expenditures for about fifteen million dollars a year,

Russia authorized a 50 per cent increase in armaments, and Germany intensified its preparations.

In 1890 Britain ousted France as Japan's naval adviser and supplier of warships, while Germany got the job of outfitting the Japanese army and training it. In 1893 the naval race was accentuated by the success of Augustus Harvey, the American who had invented a cementation armour-plate process which completely reestablished the prestige of armour. The shipbuilders now had a reply to the Armstrong quick-firing naval guns. All the nations of the world shared the American secret. A fine prosperous era of heavily-armoured warships began. Then in 1896 Emil Ehrensberger of Krupps invented cementation superior to Harvey's. Instead of keeping this secret for the booming German navy and giving the Kaiser's ships superiority, the Krupps did exactly what Harvey did, they sold their patent to friends and enemies alike. In fact, Krupp and Harvey shared the new secret inventions and thereby increased the prosperity of the armour-plate international.

In the battle of the Yalu River in the Sino-Japanese War of 1894-95 the unarmoured cruisers had failed, and swift armoured cruiser programs were written by all nations in the naval race. Krupps got control of the Germania shipyards at Kiel, and Schneider joined the Chantiers de la Méditerranée and other works on the Gironde. The cannon-makers and the armour-plate-makers who had been explosive rivals for decades, amalgamated and coöperated at home and abroad.

In the United States the ironclads were outmoded by the Armstrong cruisers and there was alarm in the earlier 1880's over Spain and Japan. The shipbuilding industry is utterly stagnant, said the *Scientific American* and some powerful stimulant is needed to arouse it. War scares and defence propaganda aroused it. In 1883 Congress authorized three protected cruisers and soon an increased naval program was carried on.

The decade 1880-90 was the great decade of German expansion. The will to power of the new philosophers and the philosophy of might of the new militarists had become part of the government policy. The Kaiser was completely under the influence of Admiral Mahan, an American naval authority. In fact, it has been said with some truth that Captain Alfred T. Mahan was

the stepfather of the German navy. His book, *Influence of Sea Power upon History*, went to the heads of the Kaiser and Captain von Tirpitz. The Kaiser cabled his American admirer, Poultney Bigelow, thanking him for sending the book, using the phrase, "Our future lies upon the sea." The book was translated and given to every German naval officer.

The first warships for Germany—for Prussia, to be exact—were built on the Thames by British yards. In 1873 the *Deutschland* and the *Kaiser* were added to the German fleet, the latter built in England, and in 1874 with great cheers the first German warship was launched at Kiel.

The era of commercial expansion was paralleled by the era of warship expansion. The Flottenverein, the German Navy League which preached the holiness of Vaterland and Fleet, and which was modelled on the British Navy League, had an enormous success. On land and sea German war preparations progressed.

In 1895, when the Kaiser sent his telegram to Oom Paul Kruger, the British navy mobilized a special cruiser squadron.

In 1898, when two missionaries were murdered in China, all the powers striving for world supremacy found a grand opportunity for strengthening their fleets. Tirpitz was most successful. Seven battleships and nine cruisers and numerous small craft were voted in a seven-year program of 400,000,000 marks.

In 1900, despite Britain's apology for seizing the *Bundesrat*, Germany made it a pretext for its second navy law. Two big battleships, one armoured cruiser, and numerous torpedo-craft and a proportionate number of light cruisers were to be built each year for seventeen years.

The armament-makers of Germany were in this manner provided with steady work which Count zu Reventlow, one of the Kaiser's first fire-eaters and the chief unsinkable monarchist of the Republic, called "the necessary assurances for the future." Navalism, moreover, was taken out of the control of the Reichstag.

The Kaiser and Herr Krupp triumphed. England called the naval program a provocation for war. In Germany only a few voices were raised against it. The Socialist Bebel told the government the program meant a naval race with England which would end in war. The patriots drowned the voice of the pacifists. Only

America heard no rumbles from the cannon foundries, no clatter from the shipyards, no perorations from the Reichstag. But everyone in Europe knew that war between Germany and England was now inevitable.

Britain looked first to its political defences. Having given signs of friendship to the United States during the war with Spain, it came to an agreement with France in 1904 which relieved the burden of naval expenditures somewhat and provided funds for a stronger army. Then an imaginative man named Philip Watts, and a naval officer with not only imagination and intelligence, but with cold-blooded military philosophy and colossal ruthlessness, arrived on the naval scene—and changed it forever. In 1901 Sir John Fisher, First Lord of the Admiralty, gave Chief-Constructor Watts, former draughtsman, then understudy, then successor to Sir William White, a free hand, and Watts produced the *Dreadnought*.

On this ship Watts placed five pairs of 12-inch guns instead of two; each of the five turrets carrying two 56-ton guns was plated with about 150 tons of armour costing from £108 to £175 a ton, and the total cost of each mounting was about £100,000. The ship was built by the Vickers-Armstrong monopoly. Although officially laid down October, 1905, the gun mountings had already been completed at Armstrong's. The *Dreadnought* was launched in February, 1906, with "loudly advertised secrecy." It startled the world. Every nation halted its naval construction to watch the making of this new type, and Germany discontinued its battleship-building temporarily.

The launching of the *Dreadnought*, more than any other event in the first decade of the new century, was responsible for the attenuation of the naval-armaments race which resulted in the war and which has been called the main cause of the war.

Tirpitz placed twelve 8.2-inch guns on the *Bluecher* of 1906, thinking to outgun the British. The British began work on the *Invincible*, *Indomitable*, and *Inflexible*, which were to have cruiser speed while carrying eight 12-inch battleship guns. In 1906 Britain had four dreadnoughts, Germany none. Britain said, "Bravo Lord Fisher."

The father of the modern British navy realized, says Newbold, "that German naval strategy hinged on the Kaiser Wilhelm



Canal, and that our adoption of big battleships would constantly lay our rival under the obligation of widening and deepening that canal at colossal expense. Fisher therefore determined to render the entire German fleet obsolete as soon as possible," and he succeeded with the Watt dreadnoughts.

Fisher also removed 100 ships as obsolete and swept out the "barnacle brigade," including Lord Charles Beresford, under whom the armament firms had been given millions of pounds in orders which were really subsidies for worthless ships.

In 1905 the Kaiser, who had provoked England with his Kruger telegram, caused the first Moroccan crisis by landing in Tangiers and speaking.

In 1906, the Liberals coming into power, Lord Tweedmouth reduced Lord Cawdor's program of four armoured ships, battleships or battle-cruisers a year, to three, and the same number for 1907. Campbell-Bannerman, Liberal leader, who saw that the naval race was leading to ruin by expense or by war, was willing to give Germany a chance for an agreement on the reduction of armaments. He announced that only one dreadnought would be built in 1908.

In Germany the 1905 program produced one large cruiser in 1906, but the two proposed battleships were held over for 1907, when five dreadnoughts were begun. Four dreadnoughts were provided for 1908. But Germany was merely making up for the failure to complete its 1906 program and for changes in types, not being willing to build the kind of ships the British had made obsolete and abandoned.

In 1906 Vickers and Armstrong-Whitworth got orders for two great dreadnoughts from Brazil. As the Admiralty had the right to preëempt them at any moment before delivery, they were in reality British as long as they remained there, and in 1907, therefore, Britain, with officially three being built, actually had five dreadnoughts on its ways. In 1906 France suddenly began building a navy, with six of the Lord Nelson type, the equal of Germany's dreadnoughts for that same period.

In 1908 Austro-Hungary seized Bosnia and Herzegovina and Europe again passed through a war crisis. Germany, France, Russia, and Great Britain, all knowing war was coming, all engaged in the naval race, were in a panic of fear, suspicion, and

hate. It was at this moment that Lord Fisher proposed an action which, insane or brilliant as it must seem, was intended to end the naval race and prevent the now impending World War. In 1908, when Germany had only four submarines, which was not a third the strength of the British fleet, Admiral Lord Fisher records in his *Memories*: "I approached His Majesty [King Edward] and quoted certain apposite sayings of Mr. Pitt about dealing with the probable enemy before he got too strong. . . . Therefore, in view of the known steadfast German purpose . . . Germany's set intention to make even England's mighty navy hesitate at sea, it seemed to me simply a sagacious act on England's part to seize the German fleet when it was so very easy of accomplishment in the manner I sketched to His Majesty, and probably without bloodshed. But, alas! even the very whisper of it excited exasperation. . . ."

Thanks to a campaign of lies and intrigue in all the states preparing for war, the armament race entered a new phase in 1909, when Germany built three battleships (and the same number each year up to the war). Britain voted four in 1910 and one battle-cruiser. In 1911 four more and the battle-cruiser *Tiger*. In 1912 four fast battleships and an extra one for the Malay States! Germany built a dozen destroyers a year, Britain sixteen. In submarines Britain outnumbered Germany two to one, year after year. Britain, moreover, built numerous war-craft for foreign governments to British navy specifications, and delayed delivery when the ships were sold, notably in the case of the *Rio de Janeiro*, which went into battle as the *Agincourt*, and the *Reshadieh*, which became the *Erin*.

Agadir, in 1911, was the last pre-war sensation which spurred on the naval race. The Imperial Blunderer of the Kruger telegram and Tangiers again threatened the peace of Europe. Mineral wealth in Morocco again was the cause of German action. The Kaiser sent a warship to protect German ore companies—although no German ore companies were in actual operation. For a few days the war scare quickened and paralyzed Europe, and when it subsided the knowledge remained that a new crisis would soon arrive and would result in the war for which the ships and the men were ready.

After Agadir the British Admiralty placed a chart on its wall

on which the position of the German fleet in the North Sea was marked each day, and the Germans placed charts in the corridor of the Reichstag showing the proportionate strength of the German and British fleets, the comparative weakness of Germany, and the two building programs. There was no pretence of preserving peace now. Europe knew it was war, a war which would be the worst in history. Admiral Lord Fisher, says Newbold, "made no more pretence of civilizing war than civilizing hell."

Britain's ally, Russia, which had voted 87,700,000 rubles for its navy in 1907, voted 250,000,000 rubles in 1914 and adopted a program for a further expenditure of 600,000,000. France in 1910 had a program of twenty-eight battleships and cruisers. Delcassé, who in 1912 decided to complete this program in 1919 instead of 1922, was, in 1913, succeeded by M. Baudin as Minister of Marine. Baudin, president of the French Navy League, put through amendments for more ships and more speed in construction. He provided for a fleet of fifty-four battleships. France now engaged in a naval race with Germany.

In 1914 France voted about \$53,650,000 for its fleet. Germany voted \$53,370,000. France was planning a greater fleet than Germany's.

In 1912 the Reichstag passed the army bill for two additional army corps, one in the east, one in the west, and voted more than \$100,000,000 for the strengthening of the German army. The reason given was the weakening of Turkey in the Balkan Wars.

France replied in March, 1913, with the three-years service bill and an additional draft of 230,000 men.

Germany in April ordered out an additional 136,000 men. Bethmann-Hollweg blamed the French three-year plan and the Russian army reorganization for this action.

These moves were war moves, and all Europe knew it. They were the logical end of the army and navy race of the four great powers. "From 1912 to 1914," concludes Newbold, "Europe's forges and machine-shops roared and shrilled with the growing pace of armament preparations. Woolwich arsenal was working day and night on shells, and Vickers, Ltd., had enough orders in July, 1914, to keep them on full time for two years. The presses of Sheffield groaned with work on projectiles for Italy, Turkey, Russia, and Britain. Russia was rearming her artillery, adding

new army corps, and considering the expenditure of £260,000,000 on strategical railways on the Polish frontiers. In June, 1914, she set aside £100,000,000 for the year's needs of her army alone. Belgium was introducing universal service in the winter of 1912-13 and increasing her peace strength from 35,000 to 57,000 men in 1914-15. Her 1913 contingent was increased from 19,000 to 32,000 and her war strength to 330,000 men. Austria was calling up 31,300 more recruits, had kept half her army mobilized during much of 1912-13. . . . Everywhere the drums of Armageddon were rolling. . . ."

This, in brief, is the history of the European armament race which is charged, not by pacifists and radicals, but by conservative statesmen and by generals and admirals, with being either the chief cause or among the three chief causes of the World War. In the foregoing summary there has been mention of the armament companies themselves as promoting the armament race. The question of their direct responsibility must now be answered.

## Chapter Five

### The Intrigues which Made the World War

THE *Dreadnought*, designed in 1905, was launched in 1906. Breathlessly the imperialist nations and the armament world declared all existent battleships obsolete, and that every country, in order to insure its life and health, must build a new navy at once. And dreadnoughts were built. When the great fleets were ready they met at Jutland-Skagerrak and decided nothing at all except that submarines could scare them back to their home ports. But in 1906 no naval expert propounded such questions as, big ships or little ships, dreadnoughts or submarines, and no armament-maker doubted the advisability of building craft requiring thousands of additional tons of armour plate.

But when the Liberal Campbell-Bannerman government's policy of economy was extended to the navy, and the slips and ways of Armstrong and Vickers were empty of ships and dividends dropped suddenly, the armament-makers, who had previously merely encouraged the naval race by exaggerated claims and threats, went a dangerous step forward. On May 13, 1906, Mr. H. H. Mulliner, general director of the Coventry Ordnance Co., noted in his *Diary of the Great Surrender*, which the *Times* published on January 3, 1910: "Mr. Mulliner first informs the Admiralty of preparations for enormously increasing the German Navy (This information was concealed from the nations until March 1909)."

In 1908 Mr. Mulliner, still seeking armament orders, visited leading generals and admirals, members of the House of Commons and the House of Lords. On March 3, 1909, the council of the empire, sitting in Downing street, invited Mr. Mulliner to appear and give his secret evidence "received from Germany" that Tirpitz had speeded up his naval-construction program.

Britain was informed that Germany in 1912 would have seventeen dreadnoughts against the British sixteen, and that Tirpitz's statements to the Reichstag budget committee, and the German program which called for only nine, were deceptive. Mr. Asquith believed all this. Mr. Mulliner then told Mr. Balfour that Ger-

many was in reality planning for twenty-five and would have, at the lowest estimate, twenty-one dreadnoughts by March, 1912. In his diary Mr. Mulliner noted:

"March 3, 1909. Mr. Mulliner giving evidence before the Cabinet, proves that the acceleration in Germany in producing armaments, about which he had perpetually warned the Admiralty, was an accomplished fact, and that large quantities of naval guns and mountings were being made with great rapidity in that country."

The Mulliner *démarche* was timed with a press campaign against Krupps (and, it must be added, Krupp activities of a similar nature in other countries). It was launched against Germany by Robert Blatchford in Northcliffe's *Daily Mail*. The information given Asquith and Balfour by Mr. Mulliner and related to Parliament by them, "swept the country off its feet," as a contemporary recorded. It was the greatest and most potential war scare in modern history. Frightened, the British government went in for a dreadnought building campaign to meet a war threat from Germany which did not exist—and thereby created a war threat to Germany which had its logical result.

Ten days after Mr. Mulliner appeared before the Cabinet the new navy estimates of £35,142,700 for 1909-10 were published. It meant an increase of £2,823,200, four dreadnoughts, and many extra other ships. In addition the government asked for powers to build an additional four dreadnoughts on its fears of German acceleration being justified. "The estimates themselves, the discussion of them on March 16th, and subsequent days, the attitude of the Opposition leaders, and the after action of the Government," says Perris, "all bear strong marks of the secret campaign on which Mr. Mulliner and his friends had been engaged for three years."

Thanks to the jingo press, the public was aroused to its danger of invasion from Germany. In a by-election the question of national security was uppermost, the candidate of the big navy having popular support. The mob shouted:

"We want eight;  
We won't wait."

It did not have to. In July the four dreadnoughts which the government had asked the right to build "contingent on its fears of German acceleration being justified," were ordered. One of them was contracted with Cammell Laird which was part owner of the Coventry Ordnance Co., of which the managing director was H. H. Mulliner.

Dividends increased, the warship-makers of Britain made millions of pounds; eventually March, 1912, arrived, and it was found that the German scare was unfounded. Despite his trying to increase his fleet, now that Britain had added four extra dreadnoughts, Tirpitz could produce only the contracted nine dreadnoughts, battleships, and cruisers. It was not until March 31, 1913, that the German fleet reached the total of fourteen.

But on July 1, 1913, at the annual meeting of John Brown & Co. (which, with Cammell Laird and other warship-builders, was a large stockholder in Coventry), the chairman, Lord Aberconway, said: "Coventry is improving . . . the place is now fully recognized by the government as an essential part of the national armament works. Last autumn I went over the Scotson works, where they made the heavy naval mountings, with Mr. Winston Churchill, who gave me an assurance, which has been carried out, that Coventry would now be regarded as one of the most important supplying firms of the government. . . ."

Coventry, John Brown, Cammell Laird, Armstrong, Vickers and their colleagues made a fine profit from Mr. Mulliner and the alarms in the jingo press. Early in 1914 Philip (now Viscount) Snowden told Parliament that "Lord Welby, who has held the highest and most responsible position as permanent civil servant in this country, who was at the head of the Treasury, who is a man of world-wide reputation in matters of financial knowledge and a man of sterling probity, was speaking on this question (the armament-makers) a few weeks ago, and said:

" 'We are in the hands of an organization of politicians, generals, manufacturers of armaments, and journalists. All of them are anxious for unlimited expenditure, and go on inventing scares to terrify the public and to terrify Ministers of the Crown.' "

This camarilla referred to by Viscount Snowden and Lord

Welby had succeeded in making war with Germany a certainty. About six months after these declarations it was a fact.

In the Argentine, in Sweden, in Russia, and at home the house of Krupp was involved in a series of scandals which had one common purpose: the stimulation of sales of war materials. When in the spring of 1913 Kaiser Wilhelm proposed a peace footing of 900,000 men, Karl Liebknecht, who ironically enough had been elected a Reichstag member by the munitions workers of Potsdam-Spandau in 1912, made his famous charges against the intrigues of German armament firms whom he accused of promoting international war scares by bribery, corrupting French and German newspapers for war purposes, corrupting War Office officials, starting the machine-gun race by spreading false reports, paying German patriots, army and navy officials, and others to sound the warning, "The Fatherland is in danger!"

The most notorious of the intrigues, in which the German and French armament-makers coöperated in raising the war spirit in the last years immediately preceding the World War, were the Putiloff affair, the Kornwalzer affair, and the Figaro affair.

Schneider had taken over the Putiloff works in 1905, and in 1910 had obtained a French loan of 25,000,000 francs for it. In 1913 Skoda bought an interest. Krupps was affiliated with Skoda, and Sir Basil Zaharoff with Schneider. In other words, the Putiloff works was the common meeting-grounds for all the great armament firms of Europe.

On January 27, 1914, the *Echo de Paris*, a French patriotic jingo newspaper, published the following dispatch dated St. Petersburg and supposedly from its own correspondent:

"The rumour that the Putiloff Works in St. Petersburg have been bought by Krupp has been confirmed. If correct, this piece of news should arouse the highest excitement in France. For, as is well known, Russia has adopted French types of guns and munitions for her coast artillery. Hitherto the largest part of this material used by the Putiloff Works was manufactured with the coöperation of the French Creusot Company and with the aid of a French personnel sent to Russia."

The effect in France was terrific. France saw itself betrayed. For years it had counted on Russia as an ally and had divulged



military secrets. The country feared that its famous gun, the 75, would fall into the hands of the enemy. At least so the press, raising the war scare, told the population.

But no one told France that that famous secret was already in the hands of the enemy, thanks to the splendid coöperation of the international armament ring. The gun was then part of the regular equipment of Italy, then an ally of Germany, of Bulgaria, which used it effectively against the Allies, and of Germany itself. When the Union Parisienne Bank lent its francs to the Putiloff works, Schneider took the 75 to Russia and Krupps took their designs for heavy cannon to Russia. In Russia, the French and the German armament men pooled their resources and experiences, their secrets and their patriotism. There were no secrets in artillery, declared André Tardieu, editor of the *Figaro*, ally of the Comité des Forges (the union of French steel men) and destined Premier of France.

The Krupps denied intentions to buy Putiloff. But *le Temps* complicated the scandal by asserting that German interests, including Krupp, were actually offering capital for the enlargement of the Russian works. This report had its effect. The French government and French financiers were tricked into producing a new loan, 50,000,000 francs, which Schneider provided through the sale of stock. Behind this manœuvre the hand of the armament genius, Zaharoff, was fairly visible. The best comment was contemporary, and not from the Liebknecht, but the conservative big business side. The Liberal *Frankfurter Zeitung* of April 21st summed up the armament race thus:

"Frequently in Germany as in France, the great danger is noted in that the big industries, with their huge capital and international connections, are interested in preventing the people from living peaceably and in friendship.

"It is to the interest of the profits of the armament capital to have a latent state of war remain permanent. War would mean the maximum business for the armaments industry, but so long as this is not to be had, at least the armaments race of the peoples must be driven into higher dimensions always. It would be bad for them if the nations would for once come to their senses and use the money at present spent for armaments for the common

furtherance of culture and national welfare—and to prevent such a catastrophe, alarms are sprung. . . .

"This is how the plan works: A French newspaper announced that France plans a new armament plant; the German jingo press seizes the false report with joy and demands, threateningly, if the German war leaders are asleep. Several days later appears the announcement that Germany naturally will arm herself to the full extent of her ability. This bullet flies back to the French press, which now naturally demands adequate French armament . . . and after a while the leading statesmen of France and Germany made declarations to the effect that months and months earlier they had planned the increased armaments.

"The German people must be given an explanation. We want to know what threads lead from the companies to the inspirers of the armament-race madness this side and the other side of the frontier. We want to know who is financing the 1813 spirit in this anniversary year."

After the war G. Raphael in his book, *Krupp und Thyssen*, charged that the Krupps collaborated with the Schneiders and Skoda in the Putiloff report for the purpose of exciting French public opinion and promoting cannon orders there as well as in Germany and Russia.

But the greatest German fraud, comparable only to the incident which related to warship-building, was the *Figaro* affair which did as much for the introduction and promotion of the machine-gun race. This is the incriminating document in the case which nails the armament-makers to the cross of facts:

Sheet 15.

Mr. . . . . ., Paris  
G. 8236.

We have just wired you: "Please await in Paris our letter sent to-day."

The reason for this message was that we should be glad for you to get an article into one of the most widely-read French newspapers—the *Figaro* if possible—to the following effect:—

"The French Ministry of War has decided to accelerate considerably the provision of new-pattern machine guns, and to order double the quantity at first intended."

Please do your utmost to secure the acceptance of an article on these lines.

Yours faithfully,  
for the German Arms and Ammunition Factory,  
(Signed) VON GONTARD  
POSEGARTEN.

Von Gontard was not only a colleague of British gun-makers but his company, the Deutsche Waffen und Munitionsfabriken in Berlin, was in reality a trust dealing in all deadly weapons, cannon, rifles, machine guns, shells, cartridges, and associated with Mauser in Germany, the National Army Factory in Belgium, and the French Association for the Manufacture of Ball Bearings in Paris.

In May, 1913, it was noted even in America that the Waffen-fabrik was involved in a great scandal, that it had been engineering a war scare for profit, and that the defence of the armament-makers by the German Chancellor had "become indeed ironical." It was shown that "once more attempts are being made to inoculate the citizens of France with the fear of the coming invasion. Lying statements of all kinds are being spread abroad, maps are being shown with the [lost] provinces, and it is actually maintained that these maps are in use in German schools. This chauvinistic movement has even forced the French government to bring in a bill for the reintroduction of the three-year military service."

Although the *Figaro* itself changed the wording of the Waffen-fabrik's fraudulent news item, the following day the *Matin* and the *Echo de Paris* as well as the *Figaro* published articles claiming that the French army was superior to the German in machine guns.

Herr von Gontard, overjoyed, got the pan-German *Post* to publish the most alarming paragraphs about French machine-gun superiority "and with astounding Machiavellianism, first exciting French opinion by provocative matter in the German press and then instigating a German demand for armaments by means of bellicose utterances in the French press," was able to achieve his aims.

The Reichstag, lashed by the fear of French machine guns, voted credits of 40,000,000 marks for the purpose of increasing the number of machine guns per company in the German army.

Krupp and Waffenfabrik dividends rose fifty to fifty-five per cent.

It was all a hoax. The French had not increased their machine guns and had no such intention. But now that the Reichstag had voted the German increase, thanks to the gunmakers' plot, the French were forced to do likewise. The machine-gun race was on.

Speaking in the Reichstag, Mathias Erzberger defended Germany, in early 1914, when he asked "*Ist Deutschland der Ruestungstreiber?*" ("Is Germany the Armaments Race Leader?"). The whole world, he declared, now replies *Ya*, and even in Germany more and more persons were convinced of it. Andrew Carnegie had often asked the Kaiser to call a halt to the world's armament race, and the world would be breathlessly thankful, but in truth, Erzberger continued, Germany was not the leader; under the stress of circumstances created by other states, Germany was only defending itself—it did not want to remain behind and be overrun and crushed. . . .

"The political source of the great armaments-race expenditures of the last decade lies in an international power's policy of encirclement of Germany. Whoever participates in this circling is willingly or unwillingly the international armaments-race leader." It was England's desire to drop her policy of "splendid isolation." "There is proof that not Germany, but England and the United States, lead the world in arming ships with large-calibre guns. . . . The study of submarine construction was first intensified in France, then in England. Only in 1912 did Germany take the systematic building of submarines in hand. Heligoland was armed only after England built the large-calibre guns for her ships of the line. . . ."

But when it came to the machine-gun race there was another story. When it began, Erzberger told the Reichstag, "military circles all over the world were not as yet convinced of the superiority of machine guns as is the case today, when they are held to be an essential weapon . . . in many quarters, including, of course, the German army, machine guns were looked upon as weapons to be used against Herero and Hottentot; very small—infinitesimal, indeed—were the provisions for machine guns in these quarters at that time. France then began to order machine guns for the equipment of her European army. When you thus

conjure up the actual situation, the letter of the German Arms and Munitions Factory takes on quite another aspect."

But, admitted Erzberger, the increase in machine-gun armaments is due to the news stories fabricated in the French press.

Armament-makers' intrigues in South America and in the Far East were disclosed in the suit of Robert Lawrie Thompson against Sir W. G. Armstrong, Whitworth & Co., December 14 and 15, 1905. Mr. Thompson demanded commissions for warships and other war materials he had sold to Chile, China, and Japan. The case was the forerunner of the Shearer case in 1929. And because Thompson threatened to reveal how the warship-builders work "diplomatically" in setting nation against nation and encouraging wars in all parts of the world, the case was settled out of court. The following report, however, was published at the time.

"It appeared that the plaintiff, from his previous avocation, knew a great many things that were going on in various parts of the world and was personally acquainted with many foreign personages and officials in high position. His engagement with the defendant firm was not that of an ordinary commission agent; his business was to find out what was happening in various foreign countries, to let his employers know what was likely to be required, and generally to prepare the ground for orders for warships and war material. His position, in fact, was somewhat analogous, said counsel, to that of a private diplomatic agent or ambassador."

Thompson up to 1894 was special correspondent of the London *Times*, a position which gave him entrée to the heads of all the countries he visited. He operated in Spain for a while, but, procuring no warship orders, went to South America and, with Argentina and Chile his customers, moved to China and Japan, where he obtained orders between 1892 and 1898.

In the Sino-Japanese war Mr. Thompson, who was receiving 5 per cent on artillery and 2½ per cent on hulls and machinery, showed no partiality, but took many orders. In 1894, after he had been introducing himself as the *Times's* correspondent as well as the warship-maker's representative in the Far East, he quit the newspaper, owing to a difference of opinion over the political

situation, and returned to the Far East with an expense account of £3,000 a year in addition to commissions. The plaintiff alleged that not a penny had been paid, although he obtained orders for millions of pounds of arms and vessels. In the correspondence read the first day in court it was shown that Thompson got sums ranging from £3,695 to £8,711 as commission on certain orders.

An example of the salesman's activities was related. In 1893 he was the first to hear that France intended to attack Siam. To Siam he went. Thanks to his journalistic and business credentials, he was received by the king and claims that his name "rang throughout Siam." Another of Thompson's letters stated he expected to receive "ambassadors, ministers and attachés" in his offices.

"I shall try," continued Thompson, "and see the Mikado with regard to the model of your new battleship. In spite of all difficulties, I shall also try to show the model to the Emperor of China.

"I intend, with De B——'s help, to make this (the increase of the American naval force in 1892) very clear to the Japanese; and I think they will go ahead in their naval preparations. Lord Salisbury knows Admiral H——m's views, and I intended, before leaving, discussing the matter with the former, as I have been in communication with him through his secretary on our policy in the Pacific. I am sorry Lord Salisbury is likely to go out of office, but I have already arranged to carry on the matter with Lord Rosebery if he becomes Minister of Foreign Affairs."

In June and July of the first war year, naval corruption in Japan, which involved German and British armament firms and showed their methods of promoting warship-building by bribing high officials, was exposed in the Far Eastern press. The most famous two cases involved Mitsui-Vickers and Siemens-Schuckert. They resulted in the fall of the Japanese Cabinet and the expulsion or imprisonment of many high naval officials, admirals, and captains.

Rear-Admiral Fujii Mitsugori had come to England to supervise the ships Vickers and Armstrong had bid on in 1910. He reported in favour of Vickers and a contract was signed for £2,367,100. It was testified that the director of Vickers at Bar-

row had asked Fujii to favour Vickers, and for a number of years showed his appreciation by forwarding large sums to the rear-admiral.

In 1911, according to the Union of Democratic Control review of the case, when Naval-Constructor Yamamoto Kaizo was visiting England, A. F. Yarrow, president of the Yarrow Ship-building Yard, saw him and explained the superiority of a destroyer fitted for the consumption of oil fuel which was the latest invention of the yard, and supplied a plan of it, expressing at the same time his desire to get an order from the Japanese navy. The specification was sent to the Stores Department and following this further remittances were sent to Rear-Admiral Fujii. Subsequently the order was given to the Yarrow firm, and on December 27, 1912, a contract was signed between the Japanese government and the Yarrow Yard for the construction of two destroyers.

In addition to Vickers and Yarrow, other British war-supplies sent tribute to Fujii: Arrol & Co., £1,750 for an order of £33,000, and Weir & Co., £1,000 for an order for six ships' pumps.

In the Siemens-Schuckert case it was testified that Carl Richter, clerk in their Tokio office, obtained documents which involved Japanese naval officers in graft. It was testified that Vickers and Siemens-Schuckert paid the Japanese 5 per cent to encourage war orders. Admiral Matsuo and Rear-Admiral Fujii were accused of receiving £35,270 from contractors, "including two well-known British ship-building firms" and other naval officers and Shinji Gondo, director of a Tokio news agency, were similarly accused of sharing these spoils. A Japanese named Kaga, who was in the habit of receiving Fujii's money for custody, was asked by the court whether the following were the chief amounts:

Yen 300,406.67 from Vickers & Co.

Yen 34,071.05 from Yarrow

Yen 656.32 from Siemens Brothers

Accused Kaga replied in the affirmative.

Accused A. M. Pooley, correspondent of the Reuter News Agency in Tokio, was charged with buying from Richter, for 750 yen, secret papers that showed the delivery or promise of de-

livery of bribes between Siemens-Schuckert and Japanese naval officers, and between Siemens Brothers of London and Engineer Rear-Admiral Fujii Mitsugori, knowing the papers to have been stolen from the firm. . . .

Accused Victor Herrmann of Siemens-Schuckert was charged with buying the Richter documents back for 50,000 yen and destroying them.

Reuter's Agency, May 13, 1914 declared it was "in a position to state that the commission of investigation into the transactions of the Muroran Steel Foundry and the dealings of Messrs. Armstrong and Messrs. Vickers has found that there is not the slightest taint of corruption." Robert Young, editor of the *Japan Chronicle*, commenting on the Vickers-Mitsui and the Siemens-Schuckert cases, said: "Since the war with China in 1894 brought in an era of huge contracts for supplies, corruption in places, high and low, in the army as well as the navy, has been a constant theme of the Japanese newspapers. . . . The most fertile source of demoralization has been the temptation offered by huge contracts for armament material and the competition of rival firms."

In July the court brought in its verdict:

"When in 1910 the Imperial Navy decided to build a large armoured cruiser, the firms of Vickers and Armstrong were nominated to send in competitive tenders . . . and keen competition arose between the two builders. About August the same year Iida, Iwahara, and Yamamoto, who were at the time directors of the Mitsui Bussan Kaisha, together with Matsuo, technical adviser of the firm, resolved to obtain the contract for the warship for Vickers, for whom the Mitsui Bussan were the sole agents in Japan. To attain this end, accused resolved to bribe the naval officers concerned by means of the company's money, drawn out by cheques illegally issued by the directors. . . ."

Pooley, representative of Reuter's, was sentenced to two years' imprisonment; Herrmann, representative of Siemens-Schuckert, Berlin, to one year. Carl Richter, who had been arrested in Russia and taken to Berlin for trial, was sentenced to only two years owing to extenuating circumstances, the blame being given to the "illegitimate manipulations by the German firm." (Siemens-Schuckert pleaded that if Japanese had been bribed it was without their knowledge.) The Japanese War Council condemned



Vice-Admiral Matsuo to three years in jail, and Captain Sawasaki to one year.

It is not necessary to detail the numerous scandals which the armament-makers caused in Argentina, Sweden, Bulgaria, Portugal, Spain, and other countries. In Portugal, Spain, China, and many other lands the warship- and cannon-makers knew the axiom, no business without graft. But there was this difference: when the manufacturers of peace materials sold these nations things that were not needed, thanks to bribing Cabinet members, generals, and admirals, they caused only economic damage. When they forced nations, through bribery, to buy guns and dreadnoughts and to engage in land and sea armaments against their wishes and solely for the profit of the providers of materials and the recipients of graft, they were leading nations into war.

Most of the revelations mentioned in this chapter date from the few months which preceded the World War. In that year every armament firm in the world reported splendid business. But Snowden and Liebknecht and the trials for graft in Berlin and Tokio and London, in their exposures of the armaments ring, caused a slight echo in the directors' meetings of gun companies. On April 18, 1914, shareholder D. Amphlett in Armstrong, Whitworth & Co., said "there was a question of general interest which he wished to raise and which he desired the chairman to answer. One not infrequently heard that armament firms were the instruments of fomenting war scares or international friction. If the chairman, as the distinguished head of one of the greatest, if not the greatest, of such firms, could emphatically assure the shareholders that the company was not engaged in pursuing such a policy, he thought that some of them, who were proud of being shareholders in such a splendidly managed concern, would feel more comfortable in having their money invested in the company."

Mr. Falkner, replying on behalf of Sir Andrew Noble, said: "The chairman had intended to make some remarks about this question, but had thought it scarcely necessary. They thought that the suggestion was really such a silly one, as put forward in the public press, that it was scarcely worth answering. No firm of the standing of Elswick could possibly lend itself to employing such practices. He thought there was no foundation to the idea that any of the armament firms did such a thing. It was

really against their interests, and they did not do such things. If the shareholders wanted to be reassured they should look upon the firm as equipping the police of the world. The ultimate appeal for all order was force, and a great armament firm furnished the means for the suppression of disorder. That was really how they ought to be regarded. The suggestions in the papers were incredibly foolish and mischievous. In the words of Mr. Churchill, they were 'hellish insinuations.' 'We are glad' he added, 'of the opportunity of absolutely and definitely repudiating such an allegation. It is merely the phantasy of fools.'"

Three months later the "police of the world" which Krupp, Harvey, Vickers, Schneider, Armstrong, Skoda, John Brown, Cammell Laird, Nobel, and their comrades in the armament international had been equipping to maintain the peace of the world, were engaged in the war which the armament race had made inevitable. The phantasy of fools was the reality of Flanders Fields. The ships and the machine guns and the rifles and the gunpowder which the manufacturers had by every intrigue forced upon the nations, were exploding throughout the world, and did not cease until ten million men had been killed by them.

On the day war broke out one man who saw clearly and who rarely let emotion possess him wrote the tragic epilogue of the armaments race:

"In this smash-up of empires and diplomacy, this utter disaster of international politics, certain things which would have seemed ridiculously Utopian a few weeks ago have suddenly become reasonable and practicable. One of these, a thing that would have seemed fantastic until the very moment when we joined issue with Germany and which may now be regarded as a sober possibility, is the absolute abolition throughout the world of the manufacture of weapons for private gain. Whatever may be said of the practicability of national disarmament, there can be no dispute, not merely of the possibility, but of the supreme necessity of ending for ever the days of private profit in the instruments of death. That is the real enemy. That is the evil thing at the very centre of this trouble.

"At the very core of all this evil that has burst at last in world disaster lies Kruppism, this sordid enormous trade in the instruments of death. It is the closest, most gigantic organization in

the world. Time after time this huge business, with its bought newspapers, its paid spies, its agents, its shareholders, its insane sympathizers, its vast ramification of open and concealed associates, has defeated attempts at pacification, has piled the heap of explosive material higher and higher—the heap that has toppled at last into this bloody welter in Belgium, in which the lives of four great nations are now being torn and tormented and slaughtered and wasted beyond counting, beyond imagining. I dare not picture it—thinking now of who may read. . . .

“It was still possible to argue that to be prepared for war was the way to insure peace. But now everyone knows better. The war has come. Preparation has exploded. Outrageous plunder has passed into outrageous bloodshed. All Europe is in revolt against this evil system. There is no going back now to peace; our men must die, in heaps, in thousands . . . we must all suffer endless miseries and anxieties. . . . Out of it all must come a new universal result: that this iniquity must be plucked out by the roots. Whatever follies lie ahead for mankind, this folly at least must end. There must be no more buying and selling of guns and warships and war machines. There must be no more gain in arms. Kings and Kaisers must cease to be commercial travellers of monstrous armament concerns. . . .

“The United States of America is now, more than ever it was, an anti-militarist power, and it is not too much to say that the government of the United States holds it in its hand the power to sanction or prevent this most urgent need of mankind. If the people of the United States . . . determine to put the vast moral, financial and material influence the States will be able to exercise at the end of the war in the scale against the survival of Kruppism, then it will be possible to finish that vile industry for ever.

“All the plants for the making of war material throughout the world must be taken over by the government of the state in which it exists. . . .

“With this corruption cleared out of the way, with the armaments’ commercial traveller flung down the back stairs he has haunted for so long—and flung so hard that he will be incapacitated for ever—it will become possible to consider a scheme for the establishment of the peace of the world. Until that is done any such scheme will remain an idle dream.”

To this 1914 statement of Mr. H. G. Wells' must be added his revision of the present day. "In the excitement and resentment of the invasion of Belgium in 1914," he writes, "many English writers, the present writer included, denounced the 'Krupp-Kaiser combination' as the sole cause of the collapse of European peace. They forego the Vickers-Armstrong side of the story and the aggressive British Imperialism of the Kipling period. THE TWIN BEGETTERS OF THAT WAR WERE THE ARMAMENT INDUSTRY AND AGGRESSIVE PATRIOTISM WHEREVER IT APPEARED. Nevertheless, it was mainly the genius of Alfred Krupp, stimulating and being stimulated by the ambitions of the Hohenzollern dynasty, to which we must ascribe the full development of this strange, monstrous, morbid development of human industry, science, loyalty, greed, vanity, and tradition, the armament trade. It has slaughtered twenty million people and it still towers menacingly over all human life."

But before the armament international of today is investigated, it is perhaps opportune to look into the trade in death during the World War itself, at a time profits could be made not only in preparing war, but also in treasonable activities during war.

### The Profits in Treason

○ F THE so-called *hof-camarilla* which surrounded the Kaiser and conspired for the Great War, one leading patriot, Albert Ballin, the steamship king, blew out his brains when war was declared, but his colleagues, the Krupps, the Thyssens, and the Stinneses turned the conflict into the greatest money-making adventure in modern history.

Old August Thyssen had at one time planned large participation in French industry. In coöperation with the Société Française des Constructions Mécaniques he founded the Société des Hautes-Fourneaux de Caen and proposed one of his sons for French citizenship, in the same manner as the de Wendel family had made one of its members a German.

Although the outbreak of war ended the company and the plan, the Thyssens in 1916 did business with the enemy. They sold cannon shields to Holland, which were resold to the Allies, and they were caught in this traffic, found guilty, fined 100,000 marks. This treasonable action was discovered by a German editor whom the Thyssens at first threatened to sue. When they were fined, they dropped the suit, but eventually they obtained a remission of the fine from the Prussian Ministry of State. The Thyssens then sold horses to the Dutch. (The Allies, it seems, still held their belief in a crash-through with cavalry.)

It was of the Thyssen project to build smelters in France that Le Chatelier recalled the classic adage, "Where iron is, there is the Fatherland." In 1917 it was found that French and German industrialists had safeguarded the Thyssen profits during the war. A special wartime company was formed in France and part of the profits realized in making war munitions were put aside for the Thyssen group, to be paid over legally after the war. "Gold has no odour," said *l'Œuvre*, "and steel has no Fatherland."

Throughout the war German soldiers in the trenches found on "dud" hand grenades the marks "Kpz 96/04." Their own grenades were marked "Dz 96."

Throughout the war Vickers carried a Krupp account on the debit side of its ledgers.

After the war Krupps, with cynical effrontery, sued British firms for 123,000,000 shillings, one shilling royalty for each Krupp patent fuse (Kpz 96/04) used on the British hand grenade to kill German soldiers. And they got their thirty million dollars' worth of blood money, too, in Spanish mines and other British concessions.

Herr Hugo Stinnes, the *Saturday Evening Post's* German choice of a hero for its two million readers, was one of the most enthusiastic jingoists among the Kaiser's industrial advisers. It was Stinnes who stripped the Northern French and Belgian factories of their machinery to assure the German heavy industry against quick competition after the war, and it was Stinnes who advised the Kaiser to deport the Belgians and force them to work in Germany. (It was also Hugo Stinnes who encouraged the German inflation and made about a billion dollars out of it while the sixty-three newspapers he owned or controlled blamed "foreigners" for this looting of the Fatherland.) During the war he founded the A. G. Hugo Stinnes fuer Seeschiffart und Uebersee-handel—an overseas shipping line—for the purpose of making the extra profit in dealing in food, chemicals, nickel, and other metals which all nations needed. The Differdingen works, belonging to Stinnes, were caught in a flagrant instance of selling steel abroad (destined for the enemy). But Stinnes and the other patriotic steel, iron, and coal barons got out of their treason by paying the German fine of five marks per ton for foreign shipments.

Stinnes was never arrested, but a lesser merchant and equal patriot, Senator Possehl of Luebeck, did stand trial.

This man, who in his youth had gone into the iron business in a small way, was able in 1906 to dominate the coal and iron situation in Scandinavia. His main plant was in Fagersta, and he was known as the Steel King of Sweden. He also had large plants in Russia.

When the war came Senator Possehl was known as a great patriot. He loved the soldiers and gave them large gifts and waved the flag during parades in Luebeck. At the same time he permitted his Swedish establishments to supply coal, iron, and

other raw materials to the Russian factories, where munitions were made to kill the German soldier boys he so loved.

Senator Possehl was arrested and tried for treason. (He was not so powerful an industrialist as his rivals, Krupp, Thyssen, and Stinnes.) His defence was that he forestalled confiscation of his Russian properties by keeping them running, and by controlling them diminished the amount of munitions they manufactured. The verdict in the case concluded:

"After the outbreak of the war, Possehl was faced with the question of keeping his factories going as well as could be done, avoiding deliveries to the German government and so preventing confiscation of his property, or closing down the factories, with immediate confiscation as a result. If he decided on the former course, although, as he recognized a certain quantity of steel would inevitably go to Russia to be used for war purposes, still this would not abet Russia's cause so much as if, by completely shutting down his factories, he would allow Russia to take them over and put them entirely at the service of her military needs. It cannot be held, therefore, that Possehl gave aid, of his own will and through his business, to a foreign power at war with Germany."

With the verdict of not guilty the Kaiser publicly expressed himself as pleased.

Italy, Denmark, Switzerland, and Holland, the near-by neutral countries of the first days of the World War, became the centres of the international trade in all the requirements of war. It was, of course, as legal for Scandinavians, Dutchmen, and Italians to sell to both sides as for far-away Americans. But there was one difference. The international chemical syndicate, formed before the war, continued to operate through these neutral countries, continued to ship, not the chemicals for medical use, but the chemicals for killing soldiers, and they continued to divide the profits among Frenchmen and Germans and Italians while the war was going on.

The Compagnie Générale d'Electrochimie de Bozel was an intermediary for numerous electro-chemical firms. In 1914 its president was Giraud-Jordan, a Frenchman.

Lonza, another Swiss firm, owned 16,211 of the 30,000 Bozel shares. It was financed by the Banque Suisse et Française, now

known as the *Crédit Commercial de France*. The directors of Lonza were:

Dr. Wacker, German, administrator of Siemens-Schuckert Werke, majority stockholders of Bozel.

Charles Schlumberger-Vischer, Swiss, vice-president and also administrator of the *Schweizerischer Bankverein*, Bâle.

A. Ritter von Maffei, German, of Siemens-Schuckert.

Mons. Giraud-Jordan, French.

Dr. Hugo Koller, Austrian.

Some time before the war the *Société Commerciale de Carbone et de Produits Chimique*, the sales agency of the Swiss electro-chemical trust, made a contract with Krupp agreeing to sell its ferrosilicon of high tension to the German armament firm at a price lower than that for its rivals, provided Krupps pledged itself not to buy from any other manufacturer.

In 1912 Krupps asked for another 1,000 tons because, he said, war would break out in 1914 and make delivery difficult during a general mobilization. A letter from the French representative in the trust contains the sentence, "Concerning the stock of 1,000 tons asked by Krupps in view of the possibility of a war, it is necessary that the payment for such stock must be made in a contract for three months, accepted by Krupps." Business was business. But that was not all.

"Forty days after the declaration of war," recounts M. Launay, "M. Gerard Giraud-Jordan, president of the International Ferrosilicon Syndicate accepted the proposition of the Count de Riva-Berni to produce at a reduced price 400 tons of 95 per cent silicon for the *Aeronautique Allemande*.

"Clause 10 of the Krupp contract stated that a war in which at least three European powers were involved would be considered *force majeure* against delivery, therefore the war between France and Germany was held no obstacle to delivery and the ferrosilicon syndicate was ordered to deliver. . . ."

M. Henri Gall was president of the *Société des Produits Azotes* of which the stockholders were divided as follows:

Frenchmen .....	2,964
Swiss .....	4,830
De Bozel .....	2,823
Cyanamide, Berlin .....	252 (etc.).



In a trial in France evidence was produced that the Société des Produits Azotes shipped 1,000 tons of cyanamide to the Societate Italiana per la Fabrication di Prodotti Azotti in 1915 and that the Italian firm reshipped this nitrogen to the Lonza, which was arming Germany and which reshipped the French chemical to the Germans, who converted it into shells. Testimony was given against M. Gall, M. Giraud-Jordan, Herr Koller, M. Riva-Berni, and Engineer Tommasi, the Swiss bankers Gandillon, Sauter, and Hullin, and members of the Lonza board.

The Allied defendants pleaded they did not know that the chemicals shipped to Germany were useful as explosives. Members of the Chambre Syndicale des Forces Hydrauliques testified for the defendants, whose ignorance was accepted as sufficient for a verdict of not guilty. René Viviani, first War Premier of France, said, "I do not approve the verdict."

In 1919 Edouard Barthe, Socialist member of the Chamber of Deputies from Creusot, in an interpellation read two letters from M. Giraud-Jordan, Frenchman, president of Bozel, administrator of the Société des Produits Azotes and member of the Chambre Syndicale des Forces Hydrauliques. Both were dated the 13th of March, 1915—the second year of the war. In the first, addressed to Herr Freydel, a fellow director of the Lonza, Giraud-Jordan wrote:

"I had at first hoped that our reciprocal relations could have continued unchanged by this terrible war. . . . If some day international relations become better again, perhaps we can resume the collaboration which was based on times of peace."

The second letter, written the same day, was addressed to Albert Vogt, Laufenstrasse 4, Berne, Swiss administrator of the Lonza:

"Dear Sir: I have addressed a letter to the Lonza with my resignation, of which I am sending a copy to you herewith. Nevertheless I will continue to interest myself in the Lonza, of which I am the largest stockholder (with M. Wacker), and I have demanded of him that he continue to send me the documents of the committee meetings, reports and monthly balances, through you as intermediary, and I will be obliged if you will receive them as in the past and transmit them to me when you have the opportunity.

"I am sending you the records of de Bozel in triplicate; please send two copies to Lonza, one for Dr. Koller, who has asked me to keep him *au courant* with the affairs of our firm."

"I have here," continued M. Barthe, "the contract which was signed with Krupp several years before the war, and by which the big cannon-maker benefited by a reduction in price of forty marks a ton. What is serious is that when the French industry dealt with the constructor of German cannon it knew it was contracting for the production of war munitions. I will say more—it knew that it was furnishing Krupp with stock for a war that was coming. Better yet, it knew that the war would break out about 1914."

Viviani, who had been Premier when the Lonza scandal occurred, made the following comment on the case in 1919:

"The letters, which had been seized at the homes of those whom we had indicted permit one to ask if they had not negotiated with Germany up to 1914, if my memory is exact, agreements on which it resulted:—

"(1) That ferrosilicon was delivered.

"(2) That, on the demand of Krupp, this stock of ferrosilicon was brought to the door of his plant, so that in case of mobilisation he would have almost immediate command of it.

"(3) That the French agents of the company who were in Germany were forbidden to deliver this ferrosilicon to Russian agents; that is to say, that our allies were deprived of war materials of which they had need.

"(4) That there was the customary stipulation that a strike might annul the contract, but that war between only two nations is not considered an annulling cause, so that, if war had existed between Germany and France alone, or between Germany and Russia, the contract would have continued in force."

The ex-Premier again expressed his regrets that "the Advocate-General, M. Wattine, had the accusation abandoned." In the 10 years preceding July 29, 1914, 6,000 tons of ferrosilicon were received by Krupp from France, 1,000 tons a year more than the normal needs of the armament firm.

The war was fought with steel. One school of historians would have the world believe it was fought for steel. And every month

during the war German patriots exported thousands of tons of steel to the Allies.

"In some months," says Arthur Saturnus in *Die Schwerindustrie in und nach dem Kriege*, "a peak of 250,000 tons of iron and steel was reached." The reference is to the year 1916. The average German export was 150,000 tons. At one time the German government was refused a demand for 15,000 tons extra for barbed wire, the makers pleading a shortage. But the traffic to Switzerland never ceased.

It was a simple matter of profits, treason or no treason. The Stahlwerksverband paid a small fine for shipping ore and steel, sold at a high price to neutrals, who got still higher prices from France.

There was another complication. Germany needed aluminum for its Zeppelins, carbide and cyanamide. The Swiss imported bauxite and cyanamide from France in huge quantities, and French patriots sold them for higher than internal prices. Lyons merchants also sold unusual quantities of silk to Switzerland. Zeppelins made of French materials dropped bombs over England, spied on Jellico's fleet at Jutland-Skagerrak, flew over French cities and killed civilians.

In the Chamber of Deputies January 24, 1919, Henri Béranger declared that on the 21st of September, 1914, "a three-master Norwegian schooner, the *Bennesloet*, loaded with nickel, sailed for Hamburg, and on the 24th it was stopped by the French ship *Dupetit-Thouars* and brought to Brest. Half of its cargo had been paid in advance by Krupp. Despite the opinion of the prize court, this ship was released and directed toward Copenhagen. From where did the ship come? It came from New Caledonia, a French colony."

This ship was released by the French government on a promise from the captain to unload it in Norway and in the belief that nickel was not a contraband of war. At the same time—in fact on the same day—according to a statement to the Chamber by Deputy Barthe, "the English stopped a ship loaded with lead en route to Antwerp. The shipper was an English firm, the destination was the Metallgesellschaft. The cargo was not contraband of war . . . but the English admiralty court ordered it held."

What was the explanation of these episodes? According to Deputy Barthe it was this: the nickel was mined in a French colony but the owners of the mine, Le Nickel, were an international company in which the Rothschilds and Zaharoff were administrators and in which Krupp owned 210 shares. The Allies knew that Krupp was pressed for nickel for hardening his guns. But Krupp had paid for his nickel, and business was business.

"I affirm," concluded M. Barthe on January 24, 1919, "that certain members of the Comité des Forges during the war furnished war materials to Germany, and in order to suppress the facts the committee has interfered with the judicial investigations. I affirm that at the head of the Comité des Forges there were and are foreigners, among them a German subject whose father is an industrialist in Berlin."

M. Barthe had begun his revelations by showing how the Comité des Forges wilfully limited the development of the production of iron and steel before 1914 so that it could exploit scarcity for profit. François de Wendel of the steelmasters' organization stated that the furnaces sold minerals but never iron ore and cast iron to Germany. "That policy," replied Barthe, "was carried out by the Comptoir de Longwy."

Which brings up still another phase of the international war traffic. The Comptoir was the sales agency of the Société des Aciéries de Longwy and part of its 1,950 shares were owned by Roechling'sche Eisen und Stahlwerke of Voelklingen, which in turn was partly owned by Longwy.

Robert Roechling was mobilized as a captain of cavalry in the German army and later put in charge of exploitation of the Briey basin. He was captured at Thionville, charged with abstracting and destroying French machinery and tried at Amiens. But Frenchmen, members of the Comité des Forges, testified for Roechling. Among them was the patriot Alexandre Dreux, vice-president of the Comité and deputy of the Longwy iron works. Result: acquittal.

If one were to look through the German directory of directors for the years 1913—the year before the war, and 1920—two years after the war, an explanation for many things could be found. Here, for instance, is the line-up of the Gewerkschaft Carl-Alexander zu Baesweiler:

## 1913

Hermann Roechling, president  
 Alexandre Dreux, vice-president  
 Robert Roechling  
 Edouard Dreux  
 Louis Roechling

## 1920

Hermann Roechling, president  
 Alexandre Dreux, vice-president  
 Robert Roechling  
 Edouard Dreux  
 Louis Roechling  
 Paul Labbé, member,  
 Comité des Forges.

Moreover, the Dreux group was awarded the Carlshuette of Thionville and the mines of Angevillers which before the war had belonged to the Roechling'sche Eisen und Stahlwerke, and immediately went into partnership with the Germans in numerous coal, iron, and steel enterprises. Vaterland and Patrie counted for nothing in 1913 and profits still rank above them today.

In the *Hamburger Fremdenblatt* of May 15, 1915, appeared the following large advertisement:

"Announcement of the exchange of ordinary shares of the Nobel Dynamite Trust Co., Ltd., London, for shares of the Dynamit Aktien Gesellschaft, formerly Alfred Nobel & Co., Hamburg.

"With the consent of the two governments, and contingent upon the acceptance by the general meeting of the executive heads of the following companies formerly owned by the Nobel Dynamite Trust Co., Ltd., London: the Dynamit Aktien Gesellschaft, the Rheinische Dynamit Fabrik of Cologne, the Dresden Dynamit Fabrik of Dresden on the one hand, and the Nobel Dynamite Trust Co., Ltd., of London, on the other hand, have agreed to complete severance of the above-mentioned German companies from the Nobel Dynamite Trust Co., Ltd., and its associated British dynamite companies. This agreement is to be retroactive to January 1, 1914. . . ."

This advertisement is a double admission: it proves that the dynamite international which prepared Europe for the war functioned into its second year, and it shows that although other holders of stocks and bonds in foreign countries lost their money, the Zaharoffs, Vickers, and Krupps of the Nobel combine were able in a friendly way—at a time the Germans launched the first gas attack at Ypres—to arrange their affairs without financial loss.

Still another international flourished and passed through the war without harm. It was not until the end of 1918 that Prime Minister Hughes of Australia called London's attention to it in a public address:

"It is truly a tragic, menacing, and threatening thing, that here in this city, in the heart of the empire, there exists an oil agency which is at bottom German.

"The enemy agent to whom I refer is the English branch of one of the most powerful corporations the world has ever seen, a combination of an octopus whose tentacles extended, before the war, over the entire world and whose heart was on the Main, at Frankfurt.

"It is an organization which had its outposts everywhere in the world, which affected not only the commercial and industrial life of the world, but also its political life, which worked incessantly for the commercial profit of Germany, which reaped enormous profits for the benefit of Germany.

"It is called the Metallurgische Gesellschaft; the American Metallurgy Company; the Australian Metallurgy Company; the African Metallurgy Company; and finally, in Switzerland, the Schweizerische Gesellschaft, a double name, sometimes German, sometimes French, sometimes in another language, but at bottom it is always German.

"I accuse here only the Metallurgische Gesellschaft, the great German octopus which dominated the world, which remained here during four years of war, which remains here after the war, and which, I repeat, ought not to remain here one hour longer."

Of the armament international it has already been affirmed that in supplying the guns and shells for potential enemies they caused the death of Australian and New Zealand soldiers through British guns, and in the case of Serbia, the hand grenades and the shrapnel which killed and routed the soldiers came to Bulgaria from Serbia's ally, Schneider-Creusot-France. It has been stated that American soldiers in 1914 were killed in Mexico by Villa men armed with American rifles. Krupp cannon destroyed the Belgian forts which Krupp engineers had created many years earlier, and German submarines were sunk with the aid of Parseval airships which the British bought in 1913. In that year

the British exported arms, ammunition, and armour plate valued at £7,000,000 to a score of nations, and it was reasonable to expect a part of this production to be used against Allied men and ships.

All these tragic events were the result of the free trade in arms *before the war*. Only recently has the evidence of the international armament trade *during the war* become available.

Six months before the battle of Jutland-Skagerrak (May 31, 1916) the British fleet was able to outfit itself with the superior Zeiss firing detectors which it obtained from Jena *via* Holland.

Verdun was attacked by the Germans and held by the French with the greatest losses to both sides in any battle of the war. On the French wire at Douaumont thousands of German soldiers were caught and torn to death. On the spools of this wire appeared the words "Magdeburger Draht und Kabelwerke." It was imported, *via* Switzerland, during the war.

Italy, after entering the war, supplied the Germans with sulphur. Official documents exist in France showing that French firms sold trainloads of bisulphide to Germany for the manufacture of phosgene gas. The price was exactly ten times the price for France. The French aluminum for German Zeppelins has already been mentioned, and the Thyssen bucklers for Allied guns.

But these were minor items compared with the great trade in iron, steel, and cyanamide which went on year after year, the French supplying the Germans with poison to use against the French (and also the British and American) soldiers, and the Germans supplying the French with the metal for shells to kill German soldiers. Millions of men died so that the few hundred members of the Stahlwerksverband and the Comité des Forges could pile up their millions of marks and francs.

### While Millions Died (Briey and Blockade)

MILLIONS of men died needlessly. All the Americans who were killed in the World War died needlessly. All the British, French, Italian, and American, as well as all the German soldiers who were killed from the spring of 1917 to November 11, 1918, were slaughtered uselessly. In 1917, when the peace of Brest-Litovsk was being dictated to Trotsky by the Kaiser and General von Hoffmann, the Allies should have been dictating peace to the Kaiser and Hindenburg in Berlin.

This can be the only conclusion from evidence revealed recently concerning the Briey Basin and the blockade of Scandinavia. The evidence in the first case comes from opponents of the Comité des Forges, it is true, but it has been corroborated many times and never denied. The evidence in the second case comes from a British admiral and is corroborated by the official figures of the Danish, Swedish, and other governments.

In 1917 and 1918 this writer, then a member of the press section of the American Expeditionary Force in France, heard in the trenches of the Luneville-Baccarat sector in Lorraine, and again in the headquarters of the 94th aviation squadron, where he was the guest of Captain Eddie Rickenbacker, America's ace of aces, the rumours that for some mysterious but sinister reason the French were opposed to the American army bombarding the iron and steel works of the Briey Basin either with long-range guns or with air torpedoes. It was a disquieting rumour, but there was no proof, so it caused little if any damage to the morale of the boys making the world safe for democracy. What might have been the effect had they known they were making it safe for the dividends of the Comité des Forges and the Stahlwerksverband is open for speculation.

Lorraine was a "quiet" sector. "In the South East, nothing to report," read the official communiqué of the French staff day after day, month after month, between the time of the battle of Verdun and the American attack just before the war ended. Trench raids, training, small bombardments, a little gas—the



dead numbering only a few hundred a day instead of thousands—and nothing to report. Few commanding officers knew that the French did not want the German line shelled.

Behind that line few Americans knew that French mines and the Briey smelters were pouring out millions of tons of ore and steel for the shells which would soon come exploding among them. In 1913 Germany got 29,000,000 of its 36,000,000 tons of iron ore from the Lorraine basin, and from the Meurthe-et-Moselle, part of that same vein, France got more than 19,000,000 of its 21,500,000 tons. The French part of the common basin was called Briey. It had carelessly been left to France by the victorious Germans of 1870 because the ore was worthless, but new smelting processes had made France rich again and provided her the iron needed for the blood of war.

The French basin was within twenty-five miles of the quiet American training sector. The French and Germans knew that it contributed largely to German ability to wage war, and that interference with production in the combined basin would cripple Germany. In May, 1915, Chancellor Bethmann-Hollweg in a confidential memorandum to the largest six industrial and agricultural associations in Germany admitted:

"If the production of raw iron and steel had not been doubled since the month of August, the continuation of the war would have been impossible. . . . As raw material for the fabrication of these quantities of raw iron and steel, the ore of Lorraine takes a place of more and more importance. From this ore at present from 60 to 80 per cent of our raw iron and steel is made. If the production of the Lorraine ore was disturbed, the war would be practically lost."

Dr. Schenkler of the Saarbruck Chamber of Commerce wrote to the *Lokal Anzeiger*, Berlin, in wartime, that "it must be regarded as extraordinary good luck that Germany since the beginning of the war has been in possession of the Basin of Briey, for without the French mineral the German industry would have found it impossible to make munitions enough for ourselves and allies."

The Germans had marched into Briey at the beginning of the war and remained there until General Pershing drove them out. But General Pershing was not the first officer to know there was

something wrong in Briey. In 1914 General Sarraill, commander of the French Second Army in Lorraine, who is credited with "brilliant disobedience" in the attack which saved Verdun, projected an attack on the Spincourt-Longuyon-Longwy line (which incidentally was under American bombardment exactly four years later) for the purpose of either restoring Briey to France or at least making the exploitation of the mines impossible.

"But," adds Clarence Streit, now *New York Times* correspondent in Geneva, who in 1919 wrote the first story of Briey under the title, "Where Iron is, there is no Fatherland"—"General Sarraill, as General Verraux remarks, was not in the good graces of the General Staff. When the plan was submitted, the Staff sent back a voluminous refutation based chiefly on the argument that it was impossible to manœuvre in this region. This difficulty, however, had not prevented the Germans from advancing fourteen kilometres in two days in this district. The upshot of it all was that the projected offensive never materialized, and on January 3, 1915, General Sarraill was replaced by General Gerard. And the iron-mining Basin of Briey remained in tranquillity."

In the Verdun battle of 1916 the Crown Prince issued a communiqué (October 27) which said in part:

"Verdun, in the case of an allied offensive, would have facilitated the recapture of the mineral Basin of Briey which is so precious to us, and would have resulted in menacing the fortress of Metz, the taking of which would have permitted the conquest of the industrial and mining regions of German Lorraine, thus depriving us of the most vital part of our war industry."

Further proof that the German war depended on Briey is given in Order 10,519 to the Fifth German Army, October 1, 1918, when American infantry and artillery concentrated on Briey:

"According to information we possess, the enemy will attack the Fifth Army to the east of the Meuse and try to push toward Longuyon. The aim of this attack is to cut the Longuyon-Sedan line, the most important artery of the Army of the West. What is more, the enemy intends to make it impossible for us to exploit the Briey Basin, on which depends in large measure our production of steel. And so once more on the Fifth Army falls the

heaviest task of the fighting for the next few weeks. Upon it the security of the Fatherland reposes. . . .”

Finally, Mr. Streit in April, 1919, asked General Fox Connor, chief of military operations of the American army during the war: “Is it true that this district of Briey was held so important to Germany for munitions that she could not have lasted for six months had the Allies taken it?” General Connor replied: “I do not know about the six months’ limit, but the capture of it would have sounded the doom of Germany.”

German military authorities believe their army could have held out a year if all the Briey Basin was lost, two years if its exploitation was hampered by aerial bombardment. British and French experts set other time limits. But all agree that by the spring of 1917 Germany would have been defeated.

Aristide Briand, pacifist and many times Premier of France, and Albert Thomas, Minister of Munitions and later head of the labour bureau of the League of Nations, were two French war-time patriots who asked the government to attack Briey. In a Chamber of Deputies discussion Thomas related his conversations with the General Staff:

“At the end of 1916, during Briand’s second Ministry, whilst General Lyautey was Minister for War, I demanded the bombardment of Briey several times, and the Council of Ministers was annoyed at the inaction of the air force. The War Minister announced that he had given the order for the bombardment of Briey several times, but that his orders had not been executed. . . . The reason given by General Lyautey for the attitude of the General Staff was the insufficient number of planes and strength . . . to which we replied (it was the moment of the repressive attacks)—that if there were enough planes for open towns, there were also enough for Briey.”

Conservative Deputy Fernand Engerand on February 1, 1919, told the Chamber of Deputies (according to the *Journal Officiel* of February 13, 14 and 15, from which the translations are by Mr. Streit and M. Launay):

“In May, 1915, the six large German associations declared that without the Lorraine minerals the war would be lost, and this admission has been repeated in Germany five or six times. It was, therefore, necessary for us to hinder by all means the pro-

duction of minerals from the two basins where the Germans were obtaining them. We should have annihilated, if it were possible, these Lorraine mines where the Germans were getting all their iron.

"At the end of 1915, seeing that nothing was done, I thought that this was due perhaps because the facts were not known, and I thought it my duty to warn General Headquarters. Having no relations with anyone there, I took the matter up with a member of the French Academy who had entrée.

"Nothing came of it. I renewed my letter twice, and I believe three times. Later, my eminent intermediary gave me the name of an officer of General Headquarters who had returned my document. This officer was a member of the Comité des Forges."

Confirmation was given by Deputy P. E. Flandin: "I am prepared to give the Chamber testimony of facts in which I was personally involved at the end of the year 1916 and the beginning of 1917. During that difficult period we soldiers at the front often wondered why our aviation, which was so active during the battle of Verdun, had not been ordered to intervene and bombard the mines and smelters, from which arose immense clouds of smoke which we saw on clear days covering the horizon in the direction of Conflans.

"On the twenty-third of December, 1916, I went to General Headquarters at Souilly to see General Guillaumat, who was my chief and who commanded the Second Army.

"I showed him the importance of the situation and asked him if it were not possible to employ the aviation of the Second Army to solve the question. Finally, I placed in his hands a detailed map of the Briey Basin, on which were indicated plainly the principal establishments in full activity.

"Several days later we learned that a bombardment operation against Joeuf had been carried out by a squadron of the Second Army.

"But later we verified that no second bombardment followed. The weeks passed, and as soon as it was possible for me to revisit Souilly, I came there to inform myself of the reasons for the stoppage of operations. The Chief of Staff informed me that soon after the bombardment of Joeuf, General Guillaumat had received orders to cease operations for the two following reasons:

first, because, it appears that Joeuf was not in the sector of the Second Army [Laughter], second, because general headquarters reserved for itself the right to give orders of this nature to the bombing squadrons. . . .

"I was profoundly astonished and chagrined, the more so because I knew from what my friends in the aviation service who had bombarded Joeuf had told me, the operations had been done with relative ease, with efficiency and without losses.

"For twenty-seven months the Germans were allowed, without being hindered, to extract thousands of tons of iron ore for their war works.

"This verification is more tragic when we know that the Germans themselves recognized that if their mineral production was interfered with, the war was practically lost for them.

"There was a means of shortening the war, and this means was neglected for more than two years." (Applause)

After November 1916, when the Germans had for twenty-seven months without hindrance taken millions of tons of ore for their munitions-works, the French began a series of aerial bombardments. By February, 1917, forty had been carried out, but according to Deputy Laurent Eynac they were so skillfully ordered that little damage was done. In the Chamber, February 14, 1919, Deputy Eynac, describing the first bombing, said:

"The orders of the objectives to bombard were given to the bombing group in execution of a bombing plan, a secret document established under the direction of Lieutenant Lejeune, at that time attached to the aviation section of the group of armies in the East. This plan received the approbation of the Grand General Staff. Frequently in telephone messages or in visits to the bombing squadrons, Lieutenant Lejeune, who indicated the objectives of the day or for the moment, repeated the order prohibiting the aviators to attack certain objectives situated within the blockaded railroad lines."

This Lieutenant Lejeune, who had charge of bombing operations, was, according to other testimony in the Chamber, an employee of the Comité des Forges.

The French investigation of 1919 was instigated by Deputy Barthe, who opened the debate by saying:

"I affirm that either owing to international solidarity of the

metal industrialists, or for the purpose of safeguarding private interests, the order was given by our military heads not to bombard the Briey Basin works exploited by the enemy during the war.

"I affirm that our aviation received instructions to respect the high furnaces from which flowed steel for the enemy, and that a general who wished to act otherwise was censured."

The Comité des Forges is the association of iron and steel masters of France. Its honorary president is Eugene Schneider, its president is François de Wendel, and its secretary, Robert Pinot.

The Comptoir Metallurgique of Longwy, the Union des Industries Metallurgiques et Minières and the Aciéries de la Marine, have the same address, 63 Boulevard Haussmann, and the same secretary. M. Pinot is also general secretary of the syndicate of railway material producers, and the hydraulic power association.

Members of the Comité des Forges, notably the de Wendels and Schneider of Creusot, and members of the German ore and coal cartels of similar strength, Thyssen, Roechling, and the Berlin branch of the de Wendel family were the principal owners of the Briey Basin. François de Wendel, president of the Comité des Forges and Charles de Wendel, his brother, a naturalized German subject and a member of the Reichstag, and their relatives, actually owned one piece of property of 22,500 acres of iron mining-land which was exactly on the border, evenly divided between Germany and France.

On the German side the de Wendel family and their associated industrialists owned concessions producing 3,000,000 tons of ore a year and the blast furnaces and smelters and other works; on the French side they produced about a million tons and had similar establishments. At Joeuf, the French basin, the de Wendels were joined with Schneider in eight blast furnaces. Altogether, the Franco-German family controlled one-eighth of the entire basin. At the frontier, underground tunnels connected their French and German holdings. Roechling, the German patriot, was the largest stockholder in the Vallerupt mine in the Briey Basin and his 8,000 shares in the Longwy steel corporation made him a partner with all the French patriots.

In self-defence François de Wendel addressed the Chamber of

Deputies in February, 1919, denying that he personally had intervened to prevent a land offensive or an aërial bombardment of Briey because of personal interests in mines and furnaces. "On the contrary," he said, "it was I, myself, who by my own hand pointed out on maps and plans of mines and smelters in particular of those I direct, the vital point of which should be hit by bombardment. This bombardment was evidently possible, but could it attain the results which certain persons hoped for it?" He added that after the war an examination showed that the bombardments which did occur late in the war did little damage, but he admitted that the nightly bombardments in Lorraine, the German-owned part of the Briey basin, almost totally disorganized the work there. M. Barthe called the Chamber's attention to the fact that his references had been to the first twenty-seven months of the war when no bombardments were carried out, not the later bombardments which were carried out half-heartedly, or the very last bombardments, after the American forces had entered the war, when the German part, but not the French part, of the works was "completely disorganized," as M. de Wendel had admitted.

"I affirm," continued M. Barthe, "that the manœuvres and lies of an Austrian who resided in France during the war were for the purpose of turning away our military authorities from the project of relieving Verdun and carrying on an offensive in the direction of the Briey Basin."

In confirmation of this statement Senator Henri Bérenger, conservative, gave the commission of inquiry a report he had presented to the army committee of the Senate and which was adopted May 29, 1916, and which concluded: "From a declaration of the Minister of Public Works, it is obvious . . . that if Germany were deprived of thirty million tons of iron-mining in Lorraine and Luxembourg, the German Empire would not possibly be able to continue the war."

But, Senator Bérenger told the 1919 investigators, on the day following the presentation of this report, which urged military action against Briey, the metal industrialists opened fire on him and his colleagues. They did this despite the fact the presentation of the report and its recommendations was a military secret. *Le Temps*, the semi-official government organ, under the signature

of Max Hoschiller, published three articles in June with the general title "The Legend of Briey," which attempted to show that the Senate report was based on wrong information.

Gustave Téry recalled that because of his attacks on the press campaign of the Comité des Forges, his liberal newspaper, *l'Œuvre*, was invaded by the police.

The Max Hoschiller who signed the *Temps* campaign articles was born in Odessa, the son of an Austrian father and a Polish mother. He was married to a Frenchwoman, was an associate of the metal industrialists of the Comité des Forges, and has since become one of the principals of the Society of Economic Studies and Information, of the Comité.

One more important fact complicates the Briey case. "If it was so easy by bombardment to obtain the results hoped for," concluded de Wendel, who did not believe in bombardment, "why did not the Germans, who knew our coal situation, destroy the mines of Pas-de-Calais . . . which were not twenty-five to thirty kilometres from the front, as was Briey, but only fifteen to seventeen kilometres?"

The answer is simply that the same international industrialists of the Comité and the Stahlwerksverband who owned coal and iron in Lorraine owned coal and iron in Pas-de-Calais and that they were able to preserve them intact by directing the military operations of the German as well as the French governments.

To the military mind this was all in order. Major de Grandmaison, later a conservative Deputy, was of the opinion that "the Germans on their side may well ask their government, 'why were not Briey and the coal-mines bombarded and destroyed?' . . . It can be said today that the truly remarkable activity of our coal-mines of Pas-de-Calais . . . have contributed to save France from defeat." Then referring to the Briey question, he continues, "The motives of this prohibition of which the aviation officers speak, seem, according to rumours, to have been due to *a tacit agreement between the belligerents*. It would seem that we said to the Germans, 'We will not bombard Briey from which you get your iron ore if you will respect, on your side, Bruay and the coal-basin of Pas-de-Calais.' "

*Le Matin*, a journal of the metal industrialists, which defended



the French military and business men for not attacking Briey, gave the view of the French high command under the signature General X . . . who wrote: "War is a matter of conventions. . . . At Compiègne (French General Headquarters) the Germans bombarded the station, the bridges over the Oise, the crossroads—they *visibly spared* staff headquarters."

Generals die in bed. The uneasy rumour in the Allied armies that the Foch, Haig, Pershing, Hindenburg, the Crown Prince, and other headquarters were listed on maps or notes exchanged by the enemies during the war, is hereby confirmed by a general, and the vague rumour that mines and factories on both sides of the firing front were protected for their owners is amply found to be true.

Above the facts rises the conclusion of M. Flandin: "There was a means of shortening the war, but this means was neglected for more than two years. The prolongation of the war for those who made the weapons of death was a good business." The millions who died in 1917 and 1918 died for coal and iron profits.

There was also a second way by which the war could have been brought to an end by 1916, with the saving of the lives of these soldiers and billions of dollars, the waste of which made the world panic of 1929.

First, a statement from Hindenburg, made to the present writer the week following the armistice, at his headquarters in Wilhelmshoehe, Cassel. "To begin with," said Hindenburg, "I must confess that Germany could not have won the war—that is, after 1917. We might have won on land. We might have taken Paris. But after the failure of the world food crops of 1916 the British blockade reached its greatest effectiveness in 1917. So I must really say that the British food blockade of 1917 and the American blow in the Argonne of 1918 decided the war for the Allies."

Germany, according to Rear-Admiral M.W.W.P. Consett of the British navy, committed suicide in 1917 when it declared war on all merchant vessels. Until 1917 Germany was living on the food and fighting with the materials which merchantmen, largely British, were bringing to Scandinavia for transshipment to Germany.

In other words, an effective blockade carried out by the British,

and political coercion of neutral nations dealing with Germany, would have starved Germany into defeat in 1915 or 1916 instead of 1917, as Hindenburg admits. There had been a food famine in Germany before 1917 and the military had been called on to fire on the people, but Germany was saved, Consett shows, by "prodigious supplies that passed into the country through Scandinavia."

Rear-Admiral Consett was the British *attaché* to the three Scandinavian nations. He was the first to call the ruling powers' attention to the failure of the blockade, but his "proposals for preventing supplies from reaching Germany were all carried out after the war had been in progress for two and a half years."

"Nothing would have hastened the end of the war more effectively," is this expert's judgment, "than the sinking of ships trading in ore between Sweden and Germany in the Baltic, or by economic pressure brought to bear on the Swedish ore industry."

The Danish ships went into German service. Not a single steamer of the East Asiatic line was sunk by German submarines, and a dividend of 30 per cent was paid by it in 1916. Swedish ore, which Ludendorff said was of "paramount importance," was shipped to the total of four to five million tons a year—and carried over railroads burning British coal. More sinister was the copper and nickel trade with Britain. In 1913 Britain exported 517 tons of copper to Sweden, and in 1915, 1,085 tons. Sweden's importations from the United States were 9,559 tons in 1913, 13,390 tons in 1915. In 1913 Sweden sold Germany 1,215 tons and in 1915, 2,304 tons, after selling 3,960 tons the year before. Nickel was manufactured in Norway. The Kristiansand Nikkel Raffineringswerk, connected with the British-American Nickel Corporation, contracted to give its total output of millions of pounds to Britain, but exported between 600 and 700 tons a year to Germany.

In his *The Triumph of Unarmed Forces* Rear-Admiral Consett gives about a hundred pages of official statistics proving that "our miserable and inglorious trade prolonged the war." His summary of the food exportation from Scandinavia proves that Germany and Austria actually got the greater share. The figures are:

## SCANDINAVIAN EXPORTATION: METRIC TONS OF FOOD

To Great Britain	To Germany and Austria
1913 ..... 344,785	252,128
1914 ..... 359,820	262,376
1915 ..... 275,473	561,234
1916 ..... 191,916	620,756
1917 ..... 172,103	315,205—when America intervened.

It was business as usual in England. British business men were sending their sons to be murdered in the fields of Flanders while they themselves were engaging in trade in coal and oil and food and war materials which made it possible for Germany to continue the slaughter. Scandinavian business men were merely the go-betweens. British business insisted on continuing the trade with "neutrals" for money and for profit.

From the beginning of the war Consett began protesting. To Lord Faringdon he sent statistics proving that British as well as American traders were coöperating with Scandinavian traders in keeping Germany in the war. But all this time statements were being made in the House of Commons that there was little trade between Scandinavia and the enemy.

When America entered the war Mr. (now Earl) Balfour came to Washington, where an agreement was made to stop food and metals for Norway unless Norway quit its abnormal export trade with Germany. Pressure was brought upon Sweden, curtailing food for Germany and placing Swedish bottoms at Allied disposal. Embargoes were placed on Sweden and Holland. For these actions great credit belongs to Bernard M. Baruch, head of the War Industries Board. In fact the decision of President Wilson, Mr. Baruch, and Mr. Balfour to really blockade Germany in 1917 may be termed the decisive civilian action of the war.

"We followed America," Consett admits, "and an uninstructed observer might be excused for supposing that the blockade of Germany was undertaken by England at America's suggestion. Supplies to Germany gradually fell away, until in 1918 they dried up. The blockade was two and a half years late."

Before the United States joined the Allies it must be admitted that the same American commercial interests which were beating the tomtoms of preparedness and placing some of their

war profits into security and defence associations were not averse to profiteering from war materials for the Central Empires (*via* Scandinavia) as well as for the Allies. These great patriots were demanding the right to ship cotton, rubber, fats, and other materials to Scandinavia with full knowledge they were aiding the very nations against which the American government and the American people were arming. These American business men, however, were not equally guilty with their British colleagues. And American officials, once war was declared, were not so criminally negligent or stupid as their Allied colleagues, because the blockade became effective immediately.

"An effective blockade," concludes Consett, "combined with an embargo on British exportations in 1915 and 1916 would not have failed to crush Germany before the Russian *débâcle*."

Of Consett's revelations Hilaire Belloc, conservative, Catholic, and military expert, says, unqualifiedly: "No replies are possible to the facts alleged. They have not been denied. They are true. The conclusion is that the Great War could have been won in fifteen to twenty months if the British naval power had been employed by the politicians and their financial supporters to blockade the enemy. The politicians, working on behalf of commercial and financial interests, decided otherwise . . . they are responsible for the war lasting fifty-one months instead of fifteen or twenty. Whoever in the second half of the war has lost a son or a brother or a husband can blame it on the politicians, or the men of wealth whom they obey, for the manner in which they conducted the blockade at the beginning of hostilities. . . . It is history."

The coal, iron, and steel men, individuals and associations in France and Germany, who continued the war for two years, have been named in official documents; the metal and cotton and food traders who operated through Scandinavia remain anonymous. But the Briey affair and the blockade failure give irrefutable proof that the profit motive alone was responsible for the last two years of the war—for the blood of millions of soldiers, the loss of billions of dollars by all the peoples of the world, for the benefit of those few armament and business men who profit in war.

## Chapter Eight

### The Bloodshed International Today

THE World War did strange things to all the international movements which preceded it. The Second International of Juarès, Liebknecht, Vandervelde and the European labour leaders received a blow from which it still staggers, but the Third International of Lenin, Trotsky, and Angelica Balabanoff was born in Switzerland in 1916 and broke out in triumph in Russia a year later. The international Catholic Church, whose efforts to make peace in 1917 were denounced by the press of both sides as "defeatist," and whose participation at Versailles was refused in 1919, recovered completely. The international peace movement is still limp under the blows of Mussolini and Hitler and the Japanese of Geneva and Manchuria. But the armament international, which promoted the armament race up to 1914 and which did business during the war, again flourished in the 1930's.

It has adapted itself to the times. The House of Krupp, dismantled by the Allies, has turned its swords into ploughshares literally as well as figuratively, but it also acquired stock in the Bofors cannon works in Sweden and has exploited its patents in Switzerland and made contacts with Dutch munitions firms. The House of Skoda, once Austrian and affiliated with Germany and Russia, is now a Czechoslovakian national enterprise affiliated with France and Poland. In all neutral countries new war-works have been fostered by the old enemies to supply the materials for the next war.

The next war, military experts agree, will be fought largely in the air and with gas. New weapons, probably electrical, may be invented or have been invented and are kept secret, and bacteria may also be used. So far as is publicly known, there still does not exist a deadly germ international, but the poison-gas and the airplane manufacturers are uniting internationally as the dubious peace years go by.

On November 11, 1919, the first anniversary of the armistice, the German chemical trust, the Interessengemeinschaft der Chemiekonzerne, the French Ministry of War and the Société

d'Etude de l'Azote came to their first agreement, the French government having admitted that its chemical industry after the war could best be continued with the aid of the inventors and patent-holders.

The German chemical trust agreed to aid the "enemy." Within fifteen years, as a result, a great French chemical industry, capable of waging chemical warfare on a vast scale, has been built with German aid.

The agreement which went into effect April 11, 1924, has been kept secret, according to Guenther Reimann, who has described the power of the I. G. Farbenindustrie A. G. in his *Giftgas in Deutschland*. But he presents proof that the signatures were attached in 1923, at the very time French troops with engineers sent by Mussolini were invading the Ruhr and when the German government was calling upon all good men to engage in passive resistance against the ancient enemy.

The populace, of course, did so. The Germans called the Ruhr invasion a continuation of the World War and at times it had its bloody episodes. Workmen were shot down for sabotage and resistance. But the industry-patriots, the true internationalists, found this the right time to supply the materials and the personnel and the secret patents for building up the French poison-gas plants.

The I. G. Farben A. G. today is related to the following manufacturers of dye materials and poison gases:

Graselli Dyestuffs Corporation, Cleveland, Ohio

Fabrication National de Colorantes y Explosivos, Madrid,  
(which, incidentally, manufactured the poison gas for  
use in Morocco)

Soc. Chim. Lombarda A. E. Bianchi & Co., (near) Milan.

Also the following makers of poison gas, dynamite, etc.:

Norsk-Hydro Elektrisk Kvaestof A. S., Norway

Sociedad Electroquímica de Flix, Barcelona

Carbidwerk Deutsche-Matrie, Vienna, and

Stickstoffwerk Ruse, (through Dynamit A. G.)

British Bergius Syndicate, Ltd., London (organized to  
exploit the German Bergius patents).

The largest chemical concern in the world, the Imperial Chemical Industries, Ltd., of England, is affiliated with both the I. G. Farben and American companies. It is capitalized at £70,000,000 and controls the entire British civil as well as military chemical supply. President: Lord Reading; chairman, Sir Harry McGowan; leading directors, Lord Ashfield, Lord Colwyn, Lord Melchett, Lord Weir, and Sir Max Muspratt. Well-known stockholders according to annual returns, April 28, 1932: Sir John Simon, M.P., 1,512 shares; Baron Doverdale, 34,124; Earl of Dysart, 38,020; Lord Cochrane of Cults, 47,180; Rt. Hon. Neville Chamberlain, M.P., 11,747; Sir Austen Chamberlain, M.P., 666. At the 1932 annual meeting Sir Harry McGowan in his survey, said:

"The shares and debentures in and advances to subsidiary companies shown in the balance sheet at £69,264,978 represent in the main the company's holdings in the eight manufacturing groups referred to in the report, namely, alkali, general chemical, explosives, fertiliser and synthetic products, dyestuffs, leather-cloth, lime and metals, in Imperial Chemical Industries, Ltd., of Australia and New Zealand, and in our foreign merchanting companies. . . .

" . . . The marketable and other investments, standing at £9,540,677, mainly represent investments in large industrial companies with which we have, directly or indirectly, trade connections. The chief items are investments in the General Motors Corporation, Du Pont & Co. and the Allied Chemical Company in the United States, the International Nickel Co. in Canada, the I. G. Farbenindustrie in Germany, and Joseph Lucal & Sons in this country."

In July, 1932, the above facts were brought to the attention of Sir John Simon, Foreign Minister and active in peace and disarmament work, by the pamphlet, "The Secret International," issued by the Union of Democratic Control. In March, 1933, Sir John sold out his stock in the I. C. I. when he found it financially interested in a subsidiary manufacturing munitions for China and Japan, then at war. The Union of Democratic Control further pointed out that the British government is closely related to the chemical industry, having guaranteed the principal and interest of the debenture stock of the Synthetic Ammonia &

Nitrate Co., and bought many shares of the British Dyestuffs Corporation, Ltd., with which it keeps in close touch.

Concludes A. J. Gillian in his pamphlet, "The Menace of Chemical Warfare to Civilian Populations":

"In almost every country in the world there exists a close association between the governments and the chemical industries for control, collaboration, research, and subsidy. Chemical Warfare Research Committees link the chemical industries with the universities. In Britain the Chemical Warfare Committee connects up the National Physical Laboratory, Imperial College of Science and Technology, and the Department of Scientific and Industrial Research (D. S. I. R.). On the Chemical Warfare Committee are many of Britain's most prominent chemical manufacturers. Similar Chemical Warfare Committees exist in France, Italy, Poland, Japan, and U. S. A. Chemical supplies for munitions, explosives, and poison gas in Britain are almost entirely in the hands of the Chemical Combine (I. C. I.), who control most of the dye-works—90 per cent explosives production, 100 per cent of alkalis (sodas). This chemical combine stands as a menace to the peace of the peoples."

The Nobel dynamite trust, dissolved in 1915, has made other combinations. In France the Société Centrale de Dynamite (Nobel) was capitalized at eighty million francs in 1930, and on its administrative council appeared the name of Paul Clemen-ceau, brother of Tiger Georges. The French society controls the Union Espagnole d'Explosifs of Bilbao, Spain, its president being Pierre Chalbaud of Paris, its vice-president Juan T. de Gandarias, a Spaniard. On the administrative council appear the names of Dr. Aufschlaeger, a German, who is its vice-president and who is also director of numerous German chemical and explosives works, including Dynamit A. G. (formerly Alfred Nobel A. G.), and Harold Mitchell of the British South African Explosives Co., also numerous French and Spanish gentlemen of the nobility. Thus the old dynamite international is shown partly, if not entirely, reconstituted.

In Japan the armament-makers unite again in the Mitsui company. Mitsui is part owner of the Nippon Petroleum Co., the Mining company, the Medajima Aircraft Co., the Taisho Marine and Fire Insurance Company, and the Nippon Steel Works.



The Nippon Steel Works are controlled by Vickers. The French connection is through the Franco-Japanese Bank, founded with the collaboration of Schneider-Creusot whose annual report recently announced that in twenty-five plants Mitsui now employed 100,000 men, and "our bank has acquired important participation in various activities of the Mitsui group, a group destined to have a fine future."

In 1903 the Wright Brothers flew an airplane; in 1933 airplanes were being built for war purposes by England, France, and Germany, and in 1933 Skoda in Poland and Mitsui in Japan were manufacturing Wright motors for war planes, reports the Union of Democratic Control. Colt, Gatling, Hiram Maxim, Harvey with his armour plate, Hotchkiss, Remington, Peabody, Gardner, Pratt and Whitney, John P. Holland with his submarine, and now the peaceful Wright Brothers are having their inventions internationalized by the war-traffickers.

Fokker, the Dutchman, sold his famous airplane to the Germans because the Allies could not see its superiority. The Fokker helped German air superiority until the last days of the war. Now the Fokker Aviation Corporation of America, in which General Motors owns 41 per cent of the common stock, is manufacturing war planes for America, while other Fokker companies are doing the same for other countries. The United Aircraft and Transportation Company, Inc., a combination of a dozen American companies, supplies not only the American navy, but Cuba, Peru, Brazil, and China.

The Fairey Aviation Co., Ltd., is now one of the biggest British companies and one of the largest furnishers of war planes for the world. It supplies Australia, Ireland, Argentina, Chile, Holland, Portugal, Japan, Greece, and Belgium. It has a factory at Gossillies, Belgium. Organized in 1928, its dividends now are about 10 per cent a year and its profit in 1931 was £184,000. Members of Parliament who hold stock are Sir Harry Hope, 500 shares; Sir G. Dalrymple-White, 400; Oswald Lewis 1,400; and Major G. Lloyd George, 500.

The De Haviland Aircraft Co., Ltd., now makes the *Moth* for many countries, has factories in Canada, Australia, India, and South Africa, and obtains royalties from the United States

where De Havilands are made by other firms. It may be recalled that while this company was making a superior two-seater known as the De Haviland 9 for Britain, the United States government, during the war, kept on making the obsolete De Haviland 4, a machine faulty in construction, which the aviators called "Flaming Coffins," owing to their catching fire easily.

Other British aviation manufacturers who do an international business are: Armstrong-Siddeley Development Co., which owns almost all the A. V. Roe (the famous "Avroe" machine which all American aviators knew in the war) stock; Blackburn Aeroplane & Motors Co., Bristol Aeroplane Co., Vickers (Aviation), Ltd., Napier & Sons, Ltd., and Rolls-Royce, Ltd.

In France Breguet (Société Anonyme des Ateliers d'Aviation Louis Breguet) supplies France, Belgium, Spain, Greece, Poland, Yugoslavia, Turkey, Argentina, China, and Japan.

When today the world sees British and American airplanes fighting each other in South America and in the Far East it must realize that the next war in which any major power is engaged will inevitably find the airplanes its own citizens have sold (for profit) being used to spy on its own army and navy and kill its own sailors and soldiers. In other words, the aviation international takes its place with the dynamite, the rifle, and the gunpowder internationals of pre-airplane days.

In Switzerland, where the French and Germans did a magnificent business of buying and selling poisons and steel during the war, the armament international has been revived.

There are three large companies making arms in Switzerland: the Schweizerische Industriegesellschaft Neuhausen, the Oerlikon, and the Soleure. The first makes 75 per cent of the small arms, and the capital is Swiss. This concern has refused certain foreign orders. But on the other hand Oerlikon and Soleure deliver nothing to Switzerland. They make anti-aircraft and anti-tank guns, and on one occasion were accused of contravening the St. Petersburg convention by making small explosive bullets. The capital and the board of directors appear to be exclusively German.

Soleure arms works exploit the Krupp patents. (This company is not to be confused with the former Soleure Munitions Works.)

Of the arms works a Swiss commission reports "it is a typical product of the internationalism of the exploiters of the armed peace. The capital is foreign, the directors are foreigners, masquerading several Swiss names, and filthy combinations have provoked suspicion, indignation, and anger throughout Switzerland. Why do we tolerate such an industry on our soil?"

But apparently the international armament-makers, notably the Germans, who need a foreign supply of guns for the next war, are powerful enough to keep the Swiss plants going.

Among the other great raw material internationals, all of which are related to the armament business, are:

The International Steel Entente or Stahlkartel (1926)

Entente du Cuivre, du Zinc et du Plomb (1929)

Cartel Européen de l'Aluminium (1928)

Consortium du Mercure

Entente Franco-Allemande de la Potasse

Trust des Couleurs d'Aniline entre les Producteurs d'Allemagne et de France.

The last named, the chemical, color, and aniline trust, united the poison-gas manufacturers of France and Germany, inasmuch as almost all war gas comes from their factories. The French consortium is related to the Kuhlmann establishments and the I. G. Farben of Frankfort. The members are: Theodore Laurent, vice-president of the Comité des Forges; Duchemin, president of the Confederation Générale de la Production Française; Marlo, president of the Chambre Syndicale des Forces Hydrauliques; Ernest Mercier; Hermann Buecher, president of the board, A. E. G. (the German General Electric); Professor Bosch, inventor with Professor Haber of the nitrogen-from-the-air process, chief of the I. G. Farben; Poensgen, director-general of the Rheinische Stahlwerke; and von Papen, president, council of administrators, of Germania.

The patriots Roechling and Dreux, who coöperated so nicely in the Briey Basin before the war, are now friends again. In national politics M. Dreux is an ardent reactionary and Herr Roechling is a supporter, morally and financially, of the German Napoleon, Adolf Hitler. In 1919 the Société Lorraine Minière et Metallurgique was founded in France to exploit Roechling's

works. *Le Temps* reports that the Aciéries de Longwy controls the new firm and Alexandre Dreux is president of both. "But," says the Union of Democratic Control, "although Roechling sold to Dreux much of his plant to form the Lorraine firm, he kept in the Saar at Voelklingen important steel-works, the Eisen und Stahlwerke. Until last September the sales medium of Roechling in France was the Société Française des Forges et Aciéries de la Sarre—French only in name, for it was formed by Roechling money and belonged exclusively to him. In past times Roechling stimulated Pan-German propaganda in the Saar, particularly when negotiations with the Comité des Forges were in process, choosing that moment to address 10,000 Sarrois, proclaiming himself the sworn enemy of France!

"An important step in this Franco-German Steel Trust was taken on October 4, 1932, when, according to *Usine*, the paper of the Comité des Forges, the Lorraine Minière (the French group of M. Dreux) had just taken a share in the Société des Forges et Aciéries de la Sarre (the German group of Herr Roechling), and that this fusion would now work under the name *Lorsar*. The Lorraine Minière board of directors' report, which was read to the shareholders on December 17, 1932, said that the share taken was 50 per cent. Thus *Lorsar*, which has the monopoly of the sale of steel of the Lorraine Minière and of the Roechling group, is composed of half French capital (from the Dreux group) and half German capital (the Roechling group). It is this alliance of French and German nationalists which is a source of supply for the arms used for national defence. But that is not the whole story. At the general meeting of the Lorraine Minière et Metallurgique on December 17, 1932, it was reported that *Lorsar* was represented on the board of directors of the Lorraine Minière and that *Lorsar* had become an important shareholder of the firm.

"Thus Roechling has increased his market by the increased contacts with the French steel firm, and the resulting possibilities of orders in the building up of the French national defence schemes, whilst M. Dreux has strengthened his contacts with the German steel industry, so that he will be able to reap the full benefits of German rearmaments."

The beginning has already been made. In the new French

fortifications of the German frontiers, which cost billions of francs, the Société Lorraine obtained one order for 2,500 tons of bar steel at 626 fifty francs a ton. The steel-and-concrete Chinese wall is now complete. On this wall thousands, perhaps millions, of French and German soldiers will bleed to death in the next war. Meanwhile Herr Roechling, the Nazi patriot, and M. Dreux, the French patriot, have already shared a profit.

On land, sea, in the air, and under the sea, the world today is being armed by the same old international.

## Chapter Nine

### Armament-makers' Wars, 1918-1934

THE charge that the armament-makers not only intrigue among the nations to fight one another, but actually start conflicts, is fully proven in the war between Sir Basil Zaharoff and Kemal Pasha.

Zaharoff, having dispassionately armed his native land and his native land's hereditary enemy, Turkey, having supplied the Boers with the machine guns which they used to kill British soldiers, and having sold the Turks the weapons for use against the British in the World War, began to dream, in the days of Versailles, of a great pan-Hellenic empire, the empire of Alexander the Great, which would have the Mediterranean as its western boundary and the oil fields of Mosul and Persia within its eastern boundary.

When England and France told Zaharoff they were tired and could give neither political nor financial support, the armament-maker himself equipped and financed the war in Asia Minor. The Greeks advanced after France and Italy had stolen islands and a small part of the Anatolian coast. With Vickers guns, Zaharoff money, and the political leadership of old Venizelos, Greece at first triumphed on the way to Angora—and the oil-fields. Victory perched on the Zaharoff machine guns in 1920 and 1921.

But politically and militarily other forces were gathering. France, which had refused to take action, now swung over to Turkey, and Mustapha Kemal, until now known as "a bandit leader," proved himself a superior general. Now Schneider cannon, in which Zaharoff also had a financial interest, began to boom against Vickers cannon, and Kemal smashed the Greek centre at Eski-Shehr in August, 1921, and moved towards Smyrna.

In these circumstances Lieutenant-Colonel Walter Guinness arose in the House of Commons to ask Lloyd George to explain. There had been rumours that the Prime Minister had approved Zaharoff's war in Turkey. Lloyd George had once been Minister

of Munitions and had repaid Zaharoff's manufacturing activity by making him Sir Basil. Both were friends of Venizelos. In reply to the republication of a report that "a beautiful Greek woman who often passed days at Chequers, having been introduced through the kind offices of Basil Zaharoff," Ralph Thompson received, *via Current History*, a letter from Lady Domini Crosfield, *née* Domini Elliadi, "neither confirming nor denying this allegation, although she stated that she was acquainted with Zaharoff." Lloyd George was a Grecophile and the moment Greece was defeated there was a storm in the Commons.

"The voice that is heard behind the throne," said Guinness, "is really that of Basil Zaharoff. He is a capable financier who possesses interests in the armament industries in various countries. He controls the manufacture of arms in four or five states. If our Prime Minister needs advice in regard to foreign policy, he would do better to consult a real Englishman whose interests coincide with those of our own country and its allies."

Sir Henry Wilson, British field marshal, told the House of Lords: Mr. Lloyd George sustains Greece to please Zaharoff. Lord Beaverbrook turned his jingo press against the Prime Minister. Lord Eustace Percy attacked the Greek policy of the British government in the Lords.

It was Guinness who coined the phrase, "The Mystery man of Europe."

"L'Homme mysterieux de l'Europe" suddenly became the spectre haunting those French newspapers which were not owned or subsidized that year by the armament-manufacturers. Notably Senator Henri de Jouvenel, editor-in-chief of *le Matin* (and later Governor of Syria) led the French pro-Kemalist attack. He wrote:

"However mysterious he may be, Basil Zaharoff is not unknown in France. Before the war he showered gifts on our grateful institutions. On one occasion he purchased a journal which was only semi-political, but this was regarded as the whim of a Mæcenæ. During the war he established an agency which was to keep the French press informed, and which was, in fact, the most skilful means of inspiring and directing it.

"The first to be alarmed was, I think, Clemenceau. When that statesman came into power, Zaharoff, like everybody else, was

threatened. However, matters were arranged wonderfully well, for shortly afterwards Zaharoff received the Grand Cross of the Legion of Honor. Since then some of the Clemenceau family have entered into business relations with Zaharoff. Zaharoff was the first to be visited by Clemenceau after his return from his Indian journey. Zaharoff must be directly or indirectly the principal shareholder in the paper into possession of which the Clemenceau clique is shortly about to enter.

"Luckily, French policy has regained its independence, even with regard to Monsieur Zaharoff.

"When England has calculated what a policy *à la* Zaharoff, from Egypt to India, will cost her, she will also, without a doubt, be ready to make her peace with Islam."

The French, who later accused Zaharoff of inspiring the Druses to revolt—a war made known to the world by the desertion from the Foreign Legion of an American, Bennett J. Doty (Gilbert Clare), and an Englishman, John Harvey, and the effort of an American journalist to have them saved from execution—were frightened by Zaharoff's war on Turkey. They foresaw a holy war, with Islam, 500,000,000 strong, from India to Morocco, turning against Europe, and Europe's munitions-makers.

At Angora the French made a separate peace with Kemal Pasha and immediately began shipping Schneider's surplus guns. Kemal marched into Smyrna and the British press overwhelmed the world with tales of Christian massacres which for once American correspondents refused to corroborate. John Clayton of the *Chicago Tribune* and Admiral Bristol, commander of the American naval detachment, spoke for the Turks. At the end of the war an American journalist wrote:

"I first of all saw the retreat of the Greeks; they abandoned guns and machine guns, all of which bore the trade mark of the British firm Vickers (Zaharoff). Then I was present at the triumphal entry of the Turks into Smyrna; they had magnificent Schneider-Creusot guns with them. It was then I understood the meaning of the *entente cordiale*."

The guns for both sides—with Zaharoff profits sure, win or lose—were sent on credit, and with the approval of the French and British governments. Payment was practically dependent on victory. The Quai d'Orsay and 10 Downing Street were in-



volved with Zaharoff and Schneider. But it was Zaharoff's idea, Zaharoff's money, and Zaharoff's guns—in short, Zaharoff's one-man war, which caused many thousands of deaths to soldiers, and the horrors of the Smyrna fire where thousands of civilians perished.

Accused of being the political aid to Zaharoff's military plan, Lloyd George was forced to resign. He might have come to grief for many reasons at this time, but he fell because of Zaharoff.

As for the armament king, his loss is estimated variously. The war he had made single-handed, single-pursed, is reported to have cost him a hundred million dollars. (A reliable French estimate is two billion francs, or \$80,000,000, to regain which "he instigated the Druse uprising in Syria and the Abd-el-Krim uprising in Morocco, and then went to Monte Carlo, not to play, but to recoup his fortune by buying the casino, reorganizing it to its primitive splendours, and then selling it with £5,000,000 to the good.") At all events, the Alexandrian, pan-Hellenic dream of empire and oil was ended.

It also taught Zaharoff that the old methods of arming both sides and instigating wars was much better than financing them.

The Tsar was the best customer of the Comité des Forges. The Soviets, by repudiating their debts to France, as France was to do several years later to the United States, hit the gun-, munitions- and warship-makers a heavy blow. Now it is the custom of nations to send armies and navies to collect their debts when the debtor is weak and there is little danger of the creditor getting hurt. That is why American marines are landed in Haiti but not in Havre, and it is one of the explanations of the American, French, British, and Japanese wars on Russia.

Thanks to the Wrangel, Denikin, Judenitch and Kolchak attacks on the Soviets, the Russians were able to supply themselves with a large assortment of Vickers and Schneider cannon, Rolls-Royce staff cars which still run around Moscow, and American-army-issue underwear which was on sale at the Soviet store in the Red Square as late as 1923. But the main war on Russia was waged by Poland, which was armed by Schneider and backed by the unbreakable power of the Comité des Forges in the French Chamber of Deputies.

Poland in 1920 was permitted by the French to advance into

the Ukraine far beyond the line which Woodrow Wilson set as the utmost limit of the new Polish state; in fact, Lloyd George warned Poland to withdraw from purely Russian territory at a time Pilsudski claimed he was merely defending his own. Trotsky promptly smashed Pilsudski. The French then equipped Wrangel in the south and sent Weygand to Warsaw. When an overwhelming amount of Schneider guns and other military equipment arrived, Weygand was able to save the Polish capital.

But the Comité des Forges, for whom the billions of (gold) francs had been floated in loans in France to pay for the Tsar's armament orders, was never able to collect its money from the Soviets, and for a decade continued its attack on the defaulters—continued them in fact after France had defaulted to the United States. (Another proof that the French are the most logical people in Europe and possess a fine sense of humour.)

The *cordon sanitaire*, a phrase first used by Marcel Proust's physician father, became the policy of the Comité des Forges: it meant the encirclement and blockade of the Bolsheviki. In Poland the Comité des Forges has built twenty-two war plants, employing 60,000 men, and manufacturing vast amounts of war materials for the next war. Schneider is the chief backer. Through Skoda he established the Polska Zakłady Skody. In 1926 Skoda established the machine-gun works at Rembertov, dividing the stock in the company fifty-fifty with the Polish state. The Polish war budget, which reached 2,250,000,000 zloty in 1928 and which increased to 2,375,000,000 in 1931, is largely spent with Schneider.

The entire history of the *cordon sanitaire*—the Polish invasion of Russia, the Wilson expeditions to Archangel and Vladivostok, the atrocity propaganda campaign against Russia, the subsidizing by France and England of the four great civil-war leaders, the German plots to lead an "Allied" invasion, the food blockade, the financial blockade, and the refusal to recognize Russia by many nations—is the history of the intrigue of the armament-makers and their colleagues, the coal, iron, steel, and oil men.

In 1927, when the United States had almost been won over by the oil, copper, silver, and *hacienda* interests for an invasion of Mexico, a plot was discovered by the chief of police of Berlin.

The Soviet ruble, the chervonetz, had been forged in great quantities. The money was being used by a group of oil men and "White" Russians for fomenting another revolution in the Caucasus, the objective being the separation of the Baku oil-field from Soviet Russia, possession of the Baku-Batum pipe line and at optimistic last, the overthrow of the Bolsheviks.

The relationship between the forgers, the patriotic revolutionaries and the oil interests having been established, the chief of police asked permission of the national government to search the premises of Sir Henri Deterding's Royal Dutch-Shell Oil Company. But inasmuch as this concern is partly owned by the British government, the matter was hushed up in Berlin with the same suddenness with which it sprang to light. Some time later, however, the Soviet government officially accused Sir Henri of planning uprisings and plotting European wars against Russia.

"The most powerful forces in the world today, such as the Royal Dutch-Shell Company," says Lehmann-Russbult in his *Die Blutige Internationale*, "are openly hostile to the Soviet government and are coöperating for the downfall of the present Russian rulers, so that they may be able no doubt to fish undisturbed in the muddy waters of the gigantic overturn.

"Lest it be thought that this is a scare head or that I am merely theorizing or indulging in cart tail oratory against these world-wide interests, I beg the reader to consider the recent more or less overt activities of Sir Henri Deterding (whose present wife incidentally was at one time married to a former Russian white guard general). Sir Henri has been waging a private war against Russia which has thus far met with unqualified failure.

"Sir Henri Deterding has again and again incited certain sections of Russia against the Soviets; in 1919 British banknotes were used to provoke the Kabardians and Mingrelains so that Great Britain might obtain control of the Transcaucasian routes; and in 1923 he stirred up the people of the Caucasus to an insurrection which was 'liquidated' in blood by the military forces of the Russian government. What Sir Henri Deterding is driving at is all too apparent: he cannot, of course, resist the seductiveness of the pipe lines from the oil wells of Baku which is the port of export all the way from the Black Sea to the Isthmus.

"Hence the unceasing crusade, in the press and elsewhere, against the 'oil robbers'—who are the Soviets of course—because forsooth, they nationalized both the British and American pre-war oil concessions along with the rest of their natural resources."

On Armistice Day, 1930, eight Russians were tried in Moscow for conspiracy with foreign enemies. Professor Ramsin confessed that British, French, and other interests had planned an invasion. The signal was to be a frontier incident. Rumania would declare war, and France, Poland, and England would join. Generals Loukomsky and Denikin, with a mixed force of 600,000 men, including a great number of *émigrés*, would march on Moscow. Among the financial backers, it was testified, were Poincaré, the head of Vickers, Ltd., Churchill, and Sir Henri Deterding, whom Moscow had previously accused of planning uprising and plotting wars.

The French and British called the plot fantastic. Sir Henri said: "The Bolsheviks have to concoct such stories to disguise the fact their whole system is breaking."

But the plot is not fantastic. The American, British, French, and other oil interests who lost their properties through Soviet nationalization have from 1917 to 1933, the time of President Roosevelt's recognition of the Soviets, wanted war and planned for war.

In 1923 Herr Arnold Rechberg, the German potash king, a leading industrialist who was a power in the European steel cartel, informed this writer that a great plan for war on Russia had been completed by French, German, and British industrialists. Rechberg arranged an interview with the putative leader of the army of invasion, General von Hoffmann, who had dictated the peace of Brest-Litovsk to Trotsky and confirmed to the world the fear that a German peace would be an unparalleled disaster. In fact this enemy of Bolshevism was in reality its stepfather. Bolshevism was the natural reaction to von Hoffmann's imperialism.

"The civilized world must crush Bolshevism," the would-be leader said. "Europe is in danger. America is in danger. You are going to America. Could you give President Coolidge my views on this subject? The American people, I know, are a bit disgusted with the outcome of the war. They would not now fight

again. But we would fight the Bolsheviks. Do you want to get rid of Bolshevism before it overcomes Europe, then America? Then finance us. American dollars, French cannon, British ships, and German soldiers—we will march into Moscow and St. Petersburg—succeed where Napoleon failed.”

With variations, this idea was presented to the business, financial, and political leaders of the world. Lloyd George frowned when Rechberg favored war. But the French ambassador to Berlin, de Margerie, sent Rechberg to the Comité des Forges in Paris. He presented the war plan to MM. Robert Pinot and Charles Laurent. M. Loucheur was interested. M. Coty, super-nationalist, published it in *Figaro*. Eventually Rechberg presented it to President Poincaré and Marshal Foch. According to Rechberg the famous general approved. But American money was not forthcoming. General von Hoffmann tried to raise it from the members of the steel cartel, the Comité des Forges, and finally from the British and American oil men, but the sums pledged were not enough to supply an army of 100,000 men.

With von Hoffmann's death the plans of the war-makers did not end. They enlisted Lieutenant-General A. D. Otto von Muelbach as commander. He gathered the Stahlhelm and the Bermond-Avaloff officers, the notorious Captain Ehrhardt and other monarchists, to his banner. “Uprooting Bolshevism before it sets the whole world on fire,” he said to a gathering of these officers, “will be the best way of founding our pan-Europa. To prevent the Goetterdämmerung of Kultur we must strike now, for the time is dangerously short. . . .”

These projected German wars for confiscated Russian natural resources never materialized. But wars, revolutions, bloodshed, the objective of which is always oil, have marked post-Armistice history and, according to military leaders as well as politicians and economists, will become more important in the future. American companies have involved American armed forces in the Caribbean and American banking-houses, as amply proven by the 1933 Pecora investigations, have entangled American military and naval forces on foreign soil. To protect dividends and capital for the bankers who floated the loans and the individuals who held them, American marines have killed and been killed in many

foreign places. American sugar and electric companies in Cuba have wanted bloodshed and they have gotten it. Whether they are going to win the peso profits still remains to be seen.

On the seventh of September, 1933, the French Ministry of War officially announced the final pacification of the last unconquered tribal areas of the Upper Atlas Mountains in Morocco. The wars had lasted just twenty-five years, in the course of which the French and Spanish lost many thousands of lives, billions in francs, and suppressed a free people.

Why was all this blood and treasure shed? Because just about twenty years ago a German discovered that Morocco, instead of furnishing romantic shieks for love-starved movie audiences, and desert sands for exotic adventure, was rich in mineral ore deposits.

In the last operations the French employed forty thousand men under General Hure, who finally encircled the last of the Berbers. No one in France protested, but the Socialist Party, whose administrative committee issued a manifesto which stated that the Moroccan operations were "motivated by the rich mineral deposits coveted by Schneider armament interests and a certain leading Paris bank. . . .

"The losses among the French troops number thousands. All the hospitals in Morocco are filled with wounded. The number of killed, which has been kept carefully concealed, is large. From the Moroccan press we learn that every day French families are being informed of deaths of their children, in frequent cases several weeks after the event. It was the militarists and the financiers who desired to prosecute this veritable war, which Parliament never anticipated and never approved. The regions which have just been conquered contain rich deposits of minerals which are coveted by the Schneiders and by a certain large bank of Paris."

Thus a new era in exploration and exploitation is open in Morocco. Phosphates, lead and manganese can now be exported in great quantities for the Schneider works; iron, copper, and antimony, already located, can be mined, while prospecting for gold, silver, tin, oil, and coal can go on undisturbed in the mountains. Abd-el-Krim and the "bandits" of more recent date fought the French with rifles which bore the French marks: eventually

all the new mineral treasures will be turned into rifles and airplanes and perhaps gas, some of which, as in the past, will be sold to crush some new Abd-el-Krim who will attempt to free the Moroccans.

In underwriting the conflicts between the war lords of China the munitions-makers have become responsible indirectly for the opium traffic. In fact, the charge has been heard at the League of Nations that the armaments international is the leading exponent of the great narcotic trade in India, Persia, and China. To pay for the guns the war lords not only kill men and loot provinces, but they obtain their greatest revenue from the exploitation of opium and they have at times warned their creditors that if opium growing is curtailed the guns will not be paid for.

In 1928 Zaharoff came to an understanding with Schneider for combating American armament interests in China. In Shanghai, from that year on, competition between the Vickers-Armstrong-Schneider-Skoda alliance and the American purveyors has been intensified. In the Sino-Japanese war both rivals have been enriched.

Japan has great armament works of her own. China, therefore, has been helped by the armament industry to become the largest buyer in the world. It is a recurrent paradox of the international gun trade that nations arm their enemies, and Japan is no exception, having in 1930 supplied China with 37½ per cent of the total imports of guns and powder. In the last three years China has been dealing with British, American, and French companies, shipping great quantities from Hamburg, which Skoda uses as a seaport. There is also evidence that Germany has been manufacturing armaments for export secretly. "It is particularly interesting to learn," says Lieutenant-Colonel Drew of the Canadian army, "that while Secretary of State Stimson was urging in the strongest terms the Japanese recognition of the Kellogg-Briand Pact, the Nine-Power Pact, and the Covenant of the League of Nations, American armament manufacturers were shipping to Japan nearly \$200,000,000 worth of war equipment."

Despite temporary bans on arms shipment to Japan and China, both nations, thanks to intermediaries and the international freedom of Shanghai, have never had difficulty in getting as great a

stock as their finances or the credit of the makers would permit. The *China Weekly Review* believes that if the sale of foreign arms could be stopped most of the troubles in China would cease automatically. The war lords of China could do little without outside help, but the whole country swarms with foreign armament agents "who are certainly the real cause of the constant troubles."

Concrete instances reported in 1924 were the direct cause of civil war between Marshal Tso-Lin and Wu Pei-fu. An Italian firm imported a quantity of weapons from a plant in Italy and stored it in Shanhaikwan and Tientsin. Chang Tso-Lin offered \$4,200,000 for the lot, or six times its worth. Although the offer was accepted and the money paid, the Chihli party, frightened, negotiated with the munitions company which accepted \$5,500,000 and returned Chang his money.

Chang, furious, did two things: he enlarged his Chinese arsenal and ordered a still larger quantity of arms from Germany. The *Review* claims the guns were made by Krupps and shipped from Holland to China on a boat flying the Mexican flag. Whether Krupp or Skoda guns, they arrived in Shanghai, Chang got them, and Wu was forced to enter the gun race with another order. The business started by the Italian firm resulted in the war between Chang and Wu.

Lu Yung-hsiang and Ho Feng-lin, when in control of Shanghai, bought heavily from German agents, while French agents shipped quantities of rifles and bullets by way of Indo-China. Proof was found in the daily seizure of foreign arms by the customs authorities, but smuggling was too deep-rooted and profitable to disappear without international action. Bribery ruled the business.

Banditry, the *Review* points out, is made possible only through the importation and smuggling of arms. In 1923 the "Blue Express" was held up by the Lincheng bandits who had just received a shipment of European pistols and rifles. These same foreign powers protested this and other outrages, but did nothing to prevent their nationals from supplying the means. In the same year an Italian priest, Father A. Melotto, was kidnapped and murdered by bandits near Hankow, and Mussolini protested to the Chinese Foreign Office, but neither before nor after this



crime did Mussolini prevent the Italian armament firms, which financed the Fascisti and helped put him into power, from selling \$5,000,000 worth of rifles, pistols and bullets to Chinese war lords and Chinese bandits. The National Chamber of Commerce of China has passed a resolution calling upon the United States and European governments to stop selling armament to China, but the business is too good for any government to end more than temporarily.

In 1927 the Soviets shipped large quantities of war supplies into China. Russia's red hand was seen behind the success of the Cantonese, who marched into Shanghai, planned to capture Peking and reunite China under the banner of the Kuomintang, which was founded by the nation's George Washington, Sun Yat-Sen. This war became a reality in America with the headlines "Americans Killed in Nanking; U. S. Warships Open Fire to Save Survivors." There was rioting against foreigners, who had been warned three days earlier to leave the city, but did not do so. America heard that one hundred had been killed and the Associated Press dispatch of "brutal treatment of American women" later was proven to have been verbal insults and some rough handling. Only one American was killed. No press dispatches mentioned the fact that American guns and European guns sold by enterprising salesmen had made the civil war possible.

With the Sino-Japanese War of 1930 the armament-makers did their best business in years. Paul Linebarger, a general legal adviser of the Chinese government, told the Foreign Affairs committee of the House of Representatives that American bankers and munitions-makers were aiding Japan against China to the extent of \$181,000,000 worth of war supplies. Walter Runciman, president of the Board of Trade in England, reported millions of dollars' worth of shipments from France and England to both sides. From Hamburg, crates containing acids for making explosives were shipped, labelled pianos. Chemicals for poison gas were found in German ports en route to Japan. France sent Creusot tanks and Hotchkiss machine guns to both sides. Skoda sent grenades and cartridges. Paul Faure on February 11, 1932 told the Chamber of Deputies that French armament-men were coöperating with Germans in arming Japan. He gave the Cham-

ber documents. One was an order from the files of the Schneiders for:

"One thousand kilogrammes of powder B.G.4, for Mauser gun cartridges to be sent to the Mauser factory in Leipzig. Order, Japan, 6,907." Another document read, "We, the undersigned, Schneider and Co., masters of the Creusot works, solicit authorization to ship to Paul Capit, at Palmrain, Baden (Germany), the powder designated below coming from the Pont-de-Buis powder works: 2,200 kilogrammes of powder B.M.; 11,200 kilogrammes of powder B.M.13. Our shipment will include sixty-six cases." The Minister of War, answering an interpellation, said that this was "a powder for artillery, evidently a secret powder," apparently another and more modern instance of the munitions-makers handing over secrets to foreign governments, including potential enemies.

China became a large buyer of American airplanes. A salesman and aviation company scout, Bert Hall of the Lafayette Escadrille and the A.E.F., became instructor for the Nanking government, sold it planes, changed to the Cantonese government, organized its air force, and sold it planes also. He was known as General Chan. He did considerable business in other arms also, and when the war lords began fighting among themselves he took a check for \$10,000 which one of them gave him for rifles because he was owed that amount and more, for other war materials. This complicated his sales efforts, so he left for Japan, hoping to do business with China's enemies; being a professional soldier, he had no more emotion than the professional armament-maker. However, he was arrested, and the American consul having removed the extra-territorial protection by declaring him an importer of illegal firearms, Chan-Hall was sent to jail. (Regretfully the author chronicles the sad fate of an old friend, one of the rare American holders of the *médaille militaire*.)

Another super-salesman, Major "Jimmy" Doolittle, did acrobatics with a Curtiss "Hawk" combat plane over Shanghai in midsummer 1933, after China—and the civilized world, for that matter—had been outraged by the Japanese attack of 1932. Doolittle's plane had been subscribed for by Shanghaian. Thirty-six more Hawks were ordered from the Curtiss-Wright Company. Of this million-dollar order, the biggest of the year, vice-presi-

dent T. P. Wright said: "The Hawks we are sending to China will be single-seaters having the same type of nine-cylinder engine being used by Colonel Lindbergh on his present flight. . . . We sold twenty-four Hawks to the Turkish government last fall and several are in service in South America."

The war in the Gran Chaco is more than a war between Bolivia and Paraguay for some malarial swamps; it is also a war between British and American oil interests. Americans are supplying airplanes, guns, and shells for both sides; British and French are doing the same. In the Leticia dispute between Peru and Colombia the armament international has coöperated without friction as is testified by dispatches from Rouen, France, in December, 1932. The docks of that seaport were crowded with French, British, and Austrian war materials. The Norwegian ship *Tonsberg*, bought by Colombia, took on the war materials from the British steamer *Royal Highlander* and the French freighter *Zenon*. The *Tonsberg*, rechristened *Bogota*, was towed to South America by the German seagoing tug *Atlas*. The French steamer *Dinard*, renamed *Cordoba*, had already been towed to the mouth of the Amazon. The cargoes consisted of French 75's, Austrian 88's "packed without shells and consigned as ordinary merchandise."

Some time later Santiago, Chile, reported that, despite the reports of a settlement, the Leticia dispute remained "feverish with preparations for war" because Peru was making big purchases of materials, pushing troop concentrations, and might involve the neutral neighbours, Brazil and Ecuador. "War cannot be avoided in view of Colombian and Peruvian preparations."

We therefore have the glorious show of the League of Nations Commission trying to make peace at Leticia while League of Nations members ship the guns to both sides, and the spectacle of Cordell Hull telling the Pan-American Congress in Montevideo of the peaceful intentions of the United States, while American airplanes and guns are sold to both sides, for mutual slaughter on the Gran Chaco.

With the exception of discussing the ethical right or wrong of the American armament-makers who protested President Hoover's embargo idea, the American press has had little to say

regarding American arming of its friendly neighbours. Few newspapers have taken the strong view of the *St. Paul Pioneer Press*:

"The traffic in arms has kept the Bolivian-Paraguayan warfare in the Chaco going.

"It has made possible the perennial civil war in China.

"Without this international commerce in the materials of war numberless conflicts and international wars would be impossible, or, at least, far less destructive and prolonged.

"If the Disarmament Conference succeeds in gaining the signatures of the leading arms-exporting countries to a covenant which more rigidly restricts this gruesome commerce, it will achieve a significant gain for peace."

Likewise in England, only the liberal press has supported a Sino-Japanese embargo, while in France not a single bourgeois newspaper has had any word but applause for the Schneider and Hotchkiss annual profit statements. There must be good pecuniary reasons for this attitude of the pro-war press.

## Chapter Ten

### Power of the Arms Ring in World Politics

OW powerful is the armament international in world affairs?

Before the Great War, "Kruppism" was the dominating political force not only in Germany, but in Great Britain, France, Russia, and smaller countries. The largest stockholder in Krupps was Kaiser Wilhelm. The Krupps, the generals, Tirpitz, the Junkers, ran the German government.

Today Kruppism is again triumphant in Germany. Behind Hitler are the Krupps and the Thyssens, the Roechlings, the Steel Cartel, the same Dr. Alfred Hugenberg (who was chairman of the board of directors of Krupps and who financed the Stahlhelm and sixty-odd newspapers and the Teleunion News Agency), the same industrial and armament combination.

Today, as yesterday, the Comité des Forges is the most powerful party in France.

In 1922 Benito Mussolini, his blackshirts equipped with the money levied by the Vickers-Ansaldo, the Terni, and other armament and heavy industry organizations, occupied Rome and established a government which has made the trains run on time and protected the profits of big business.

Before and since the World War the munitions lobby in Washington, openly denounced by one American President after the other, has hampered or defeated the proposals of Wilson, Harding, Coolidge, Hoover, and Franklin Roosevelt to curb armament trade with warring countries. Today when American admirals and generals point with intensified alarm to the war clouds in the Pacific, Japanese ships leave American ports every day with war materials.

Senators and representatives from the rifle, powder, airplane, and warship manufacturing states have almost unanimously and every year voted against limitation of armaments, against embargoes to warring nations, against embargoes to the aggressive nations (Roosevelt's proposal), against rifles for Mexico and Nicaragua and other Central American countries where the

American rifles are almost exclusively used to kill American marines.

A survey of the latest eighty military and naval measures shows that Senators and representatives from Massachusetts, Connecticut, Rhode Island, New York, New Jersey, Delaware, Maryland, Pennsylvania, Ohio, Indiana, Michigan, and Illinois always vote to increase the expenditure for armaments. These men represent the twelve states which produce all the munitions in America.

For building up the navy to treaty limits the Senators voted 100 per cent in favour, likewise for retaining citizens' military training camps, also for the measure against decreasing the number of army officers. In these instances the majority of Senators from the remaining thirty-six states voted to the contrary.

Representatives from munitions states voted 77 per cent to strike out the war-navy consolidation amendment; 83 per cent against the measure to abolish the C.M.T.C.; 82 per cent for increased appropriations for organized reserves; 79 per cent to increase appropriations for the said organization.

The rest of the country, as shown by its vote in the House, was always of a contrary opinion: 66 per cent voted for the consolidation; 52 per cent voted to abolish the C.M.T.C.; 59 per cent voted against increasing the reserves, and 60 per cent against the appropriation measure.

In other words, it is plain that every measure would have been defeated if the members of Congress representing the munitions states were not permitted to vote. Standing as they do in a solid body of 24 men in the Senate and from 117 to 133 members in the House, they can get any measure they want passed.

Connecticut is ranked as the leading munitions state, and Bridgeport, which now has a Socialist mayor (Creusot, Woolwich, and Spandau, curiously enough, elected socialist or labour members in France, England, and Germany), was known as the Essen of America. Connecticut produces half of America's armaments. According to Thomas' Register of American Manufacturers, a comparative statement of the states manufacturing firearms shows that Connecticut has four corporations, each with a capitalization of over a million dollars, and one of over \$100,000; Massachusetts follows with three over \$1,000,000, and one

over \$100,000; New York has one over \$1,000,000, one over \$300,000, two over \$25,000, one no estimate; and Michigan has one over \$50,000 and one over \$10,000.

The American munitions industry lies in the quadrangle Boston, Chicago, St. Louis, and Baltimore. The power of this industry in American politics can be judged from the votes on every measure in Congress which deals with big armaments, disarmament, embargoes, measures for war, and measures for peace.

Not only is the armament ring a power in Washington and in Geneva, but its heads as well as its agents sit in the House of Commons, the House of Lords, the *Chambre des Députés*, the French Senate, the French White House, the Reichstag, the Italian Camera. Prime Ministers and other members of the cabinet of many nations are directors or stockholders of important munitions works. They are also directors of government and private banks. Thus the combination of the armament-makers, national politics and finance has created a great world power.

The Steel Masters of France are united in the *Comité des Forges*. The *Comité des Forges* is engaged 100 per cent in the internal and foreign policy of France, it can direct the country toward peace or toward war. The political parties which oppose it say that the *Comité des Forges* governs France. It does, a large part of the time.

No one can tell where the *Comité des Forges* leaves off and the French government begins, so closely are the two related. Presidents of France have risen from the ranks of the *Comité*, numerous members of Parliament are its members, and it pays for the elections of its friends and defeats its enemies. Nothing quite like it exists in England or America. The Krupps and the *Stahlwerksverband* in Germany have been its equal in power.

Schneider, the honorary president of the *Comité*, and other armament-makers dominate the union. In the occupation of the Ruhr by the Poincaré army of 1923, the hand of the *Comité* was openly seen; the agitation to annex the Saar basin to France is the work of the steelmasters' association, and when General Foch called the war correspondents of the American army to Trier in 1918 and explained to them why the safety and the commerce of France depended on the occupation of the left bank of the

Rhine, he was voicing the identical hopes of the Comité des Forges.

The Comité represents the steel industry of France, openly united to play politics and direct national policies. The French industry is dominated by three big corporations, says Professor Delaisi, the economist: Schneider-Creusot, the oldest and best known, the Aciéries de la Marine Homécourt, directed by M. Darcy, and Chatillon-Commentry, directed by MM. Milinos and Guillaïn.

These and other related companies manufacture peace as well as war materials. They are linked in the Syndicate Council of Manufacturers of War Materials of which Léon Lévy of Chatillon-Commentry is president, M. Magnin of Marine Homécourt, M. de Freycinet of Schneider, and M. Duplomb of the Hotchkiss Company, vice-presidents.

The warship-builders also have an association, and all these firms have the same general offices at 63 Boulevard Haussmann, the same general secretary, Robert Pinot, who is also secretary of the Comité des Forges.

The business turnover for the Comité des Forges in 1927, for example, was thirty billion francs. The organization consists of 240 members and has a commission of twenty-five which directs it. François de Wendel is president, and A. Dreux, Leopold Pralon, Théodore Laurent and M. Cuvelette are the vice-presidents.

"Just as Vickers traditionally selects the War Minister in England," says Jean Galtier-Boissière editor of *le Crapouillot*, and his associate, René Lefebvre, "so in France the heavy industries always have one of their members in the government, a Manaut, a Gignoux, or a Charles Dumont, and the French ambassador to Germany is always designated by them. Charles Laurent, who was associated with the Rathenau group before the war, had been president of the Union des Industries Métallurgiques et Minières. François-Poncet was an *attaché* of the Comité des Forges when he went on the Allied economic mission to the United States headed by Eugène Schneider, and, during the occupation of the Ruhr he was head of the information service. When he presented himself for election in 1924 he was director of the Société d'Etudes et d'Informations Economiques



created by the Comité des Forges, and he was a member of the board of directors of the Mines et Usines de Redange-Dilling-Sarre, along with Théodore Laurent and Baron Reille, representing France, and His Excellency Count Siegmund von Beckheim and Baron von Hammerstein-Loxten, representing Germany.

"While England was being represented at the Disarmament Conference by the brother of a director of Vickers, the French delegate was Charles Dumont, president of the board of directors of the Franco-Japanese Bank, which is controlled by Schneider and which is interested in the big Japanese armament firm of Mitsui, all of which occurred while the Sino-Japanese conflict was at its height."

The Franco-Japanese Bank was established to handle the business between Schneider-Creusot and other members of the Comité des Forges which manufacture war materials, and the Japanese government in its prosecution of the war on China. Its president, Dumont, was once French Minister of Marine. It may be recalled that at a time those nations which still remembered their protestations of horror over the German U-boat campaign were asking the League of Nations to abolish that weapon, M. Dumont said: "Submarines are . . . the weapon of the poor. . . . The submarine is a weapon against the rule of power. It could be the support of the righteous. . . . It must be retained. . . ."

In the Schneider service there have been two admirals—Besson and Nabona—also ex-Captain de Freycinet and ex-General Delanne. "In thirty years," says Delaisi, "we have seen only one Minister of the Navy who has dared to resist the pressure of the war industries. Even M. Camille Pelletan was compelled in the end to yield to the furious attacks of the Millerands and the Doumers upon the Combes cabinet, and to order the two battleships demanded by Schneider and his associates."

The power of the ironmasters in office is again shown in the contract which M. Etienne, as Minister of War, gave to the Société de Tréfilerie du Havre, a war company in which he had an interest. M. Etienne did not consult the Chamber or obtain its authorization secretly. He gave orders for materials, and they were carried out.

Poincaré, all his life, was associated with the Lorraine metal

industrialists. Millerand, before he became President of France, had been attorney for Schneider in the Ouenza affair. When Georges was Premier of France his brother, Albert Clemenceau, was attorney for Schneider, and Paul, who is today one of the big men in the Comité des Forges, was consulting engineer for Vickers as well as Schneider, also director of the Dynamite Centrale and member of the syndicate of manufacturers of war materials.

On the opposite fence we find the great enemy of the Comité des Forges, the great European, Aristide Briand. His policy was peace. At lunch with Stresemann in 1925 he proposed the Locarno pact which gave France and Germany, and for that matter the rest of Europe, five peaceful years. At times Briand was premier, more often Foreign Minister. At times the Comité was able to keep him out of office—but not for long.

It was the signature of the 1931 Franco-Italo-British naval pact which hit the Comité so hard it resorted to a move which ruined Briand, removed him from political life, and hastened his death.

President Doumer, director of the Laminiers, Hauts Fourneaux, Forges et Fonderies de la Providence, an affiliate of the Comité des Forges, was assassinated by a monarchist madman. The name of Briand for President was proposed. It was the logical reward for a man grown old in service to his country, equal to the title of "Lord" for Asquith or Ramsay MacDonald. Briand was given to understand that he was forgiven by the armament-makers and was for a little while supported by the large press.

But suddenly *le Temps* and other papers under the ownership or control of the Comité began a calumnious campaign which blasted Briand's chances, and the Chamber of Deputies elected Albert Lebrun of Lorraine, ex-member of the board of directors of the Aciéries de Micheville (member of the Comité), President of France.

The latest show of force of Eugène Schneider and the Comité was made against Premier Daladier. As War Minister, Daladier had consistently attacked the great armament budgets in the hope of a reduction, and had always failed. On one occasion he addressed the Chamber:

"I believe that from 1908 to 1912 the average military ex-

penditures of our country amounted to 860,000,000 francs, which would prove, if my calculations are correct, that the average present expenditures represent twice as much as the expenditures during the normal pre-war period. The result is that victorious France, which applauds speeches in honour of Locarno and the Kellogg Pact, has imposed on itself military expenditures at least equal to, and in many years greater than, those the country had to meet when it was threatened by the most redoubtable invasion that ever assailed it in the entire course of its tragic history.

"In the entire French national budget how much money goes into all forms of national defence, including the army, aviation, colonies, and the navy? These expenditures represent a total of 12,207,000,000 francs, and when you have eliminated from your budget the sums needed to pay the debt that is weighing our country down and consider only the expenditures on productive ministries and on civil service, you will find that all of these do not total more than 12,098,000,000 francs. I have just listened with the greatest pleasure to discussions about foreign armies and the war budgets of foreign countries and I should like some one to inform me on this point: what country in the world, except France, is spending more money on national defence than on all its productive and civil expenditures put together?"

When he became Premier, Daladier in October, 1933, found himself facing a deficit of 7,718,000,000 francs; he proposed a budget which would meet it by 226,000,000 through a series of new taxations and economies. Léon Blum, Socialist leader, proposed the state monopoly of the armament industry and Daladier proposed heavy taxes on it. The Daladier bill provided that none should engage in the manufacture and commerce in war materials in France or its colonies without authorization of the War Ministry and the Ministry of Foreign Affairs; that a representative of the government control each factory and inspect its books; that the government participate in the profits of all war industries in proportion to budgetary credits voted for war-material purchases; strict government supervision of the manufacture of firearms for private use and for export and import, and finally a tax of 20 per cent of the value of manufactured war materials, to be paid by the manufacturer the moment the goods leave the factories.

The Finance Committee of the Chamber after accepting the Socialist government monopoly plan, immediately reversed itself in favour of the lesser of two evils (for the Comité des Forges), the Daladier plan. The French citizenry made known its opposition to all taxation, and barricades arose in the streets leading to the Chamber. Behind the scenes the Comité des Forges gave its orders, and in the press which it controls it led the attack on the first man who dared tax the armament industry. Daladier was defeated 329 to 241.

Something has already been said of the British government's supporting the warship-makers in their salesmanship in Greece, Turkey, South America, and the Far East, and more will be said in the chapter dealing with governmental participation in gun-running. The armament international has never failed to have its representatives or its large stockholders in the British Cabinet, and many men in Parliament. When in 1912 Lord Beresford told the House of Commons that a certain type of automatic rifle was necessary for national defence, he did not add that he was president of Henry Andrews & Co., Ltd., which manufactured this recommended gun.

More serious is the charge that the armament-makers, through their influence in the Cabinets and Parliament, have "conspired to cripple and destroy Woolwich Arsenal," the national armament works, which Gilbert Slater, M.A., D.Sc., made at the end of the war. He proves that Woolwich always furnished armaments at a lower price than the private companies—for example, carriages for 18-pounder quick-firing guns at £343/14/- compared with £672/7/- charged by private contractors, and states that an order for 216 torpedoes went to a favoured company despite the Woolwich price, £48,000 lower.

Just before the war a committee of workingmen, of which Arthur Henderson was a leading member, protested the crippling of the Woolwich works. "What was the magic by which the armament ring was able to control the government and the War Office and constrain them into crippling the national factories?" asks Slater, and replies: "The answer is to be found in *Who's Who*, the *Stock Exchange Year Book*, and similar publications. The directorates and list of shareholders in the armament-ring

companies include eight Ministers of the crown, three ex-Ministers, six bishops, forty-seven peers, five newspaper proprietors, and a number of admirals and generals."

In America, France, and other countries it is difficult, if not impossible, to obtain the names of the chief stockholders of the armament firms; in Great Britain the books are open to the public. Just before the war, when the pacific and liberal elements made a desperate effort to stop it by exposing the frauds of the gun- and ship-builders in all countries, the *Investors Review*, London, published the following summary from the official list of shareholders in the largest three armament firms:

	<i>Vickers Sons &amp; Mazim</i>	<i>John Brown &amp; Co.</i>	<i>Armstrong, Whitworth &amp; Co.</i>
Dukes.....	2	1	
Marquis.....	2		
Barons, lords, earls and families.....	50	10	60
Other nobility.....	20	7	35
Members Parliament.....	3	2	20
Army and navy officers.....	21	2	20
Shipbuilders, government purveyors.....	2		
Financiers.....	3		1
Newspaper-owners and journalists.....	6	3	8

Philip (now Viscount) Snowden in the House of Commons, and J. T. Walton Newbold, in a series of pamphlets published on the eve of hostilities and during the war, gave the names of these members of Cabinet, of the House of Lords, and of the House of Commons. Said Snowden:

"Now, who are the shareholders? It would be too long for me to give more than a short selection from the list, but I find that honourable members in this House are very largely concerned: indeed, it would be impossible to throw a stone on the benches opposite without hitting a member who is a shareholder in one or other of these firms. I am sorry for the sudden hilarity of my honourable friends, for the shareholders in these armament firms are not confined to Unionist members. I find that the bishops are very well represented. Among the shareholders in Armstrong I find the name of an hon. member opposite as the holder of 5,000 shares . . . the member . . . who asked seven questions in five weeks in 1909 . . . the scare year . . . as to when orders for gun-mountings would be placed. The hon. member for Osgoldcross Division of Yorkshire (I congratulate him on his election

last week as hon. president of the Free Church Council) is the great Imperialist. I have often seen his portrait in the jingo press as that of a man who placed patriotism and Empire before all considerations of sordid selfishness. I find that he is the holder of 3,200 shares in John Brown, and 2,100 shares in Cammell-Laird. . . .

"I want to say one or two words about the Harvey Trust, which was formed a few years ago . . . for the purpose of working certain rights in the manufacture of armour plate, and it combined together the interests in Britain of Vickers, Armstrong, Beardmore, John Brown, Fairfield, Cammell-Laird, the French Steel Company, Schneider, and others.

"I find in the list of shareholders here the name of the present Colonial Secretary, and the name of the present Postmaster-General also figures as a shareholder in Armstrong. I said something about the cosmopolitan character of the shareholders list. Of course, in such a combination as the Harvey Steel Trust, it is only to be expected that a large number of foreign names would appear. I referred a moment or two back to the case of the Admiral of the Fleet, who had been appointed managing director of one of these undertakings. That is not the only instance in which men have been taken from the service of the Crown and placed directly in influential positions under this armament ring. There is, of course, a reason for it. I will not give it in my own words, but in those of a representative trade organ. There is a paper called *Arms and Explosives*, devoted to the interests of the armament trade, and in September last this paper wrote . . . and I ask the special attention of the House to the quotation, because it puts the matter far more clearly than I could do:

"Contractors naturally are very keen to avail themselves of the services of prominent officers who have been associated with the work in which the contractors are interested. The chief thing is that they know the ropes, since the retired officer, who keeps in touch with his old comrades, is able to lessen some of these inconveniences, either by gaining early information of coming events or by securing the ear of one who would not accord like favours to a civilian. . . . Kissing undoubtedly goes by favour, and some of the things that happen might be characterized as corruption. Still, judged by all fair tests the result is good. The

organization of facilities for supply is maintained through times of peace on an efficient and economical basis. Manufacturers do not make huge profits, and they are enabled to survive from year to year, and to be on hand in the case of national emergency.'

"Then we have the case of Rear-Admiral Ottley, naval *attaché* to Russia, Japan, France, United States, and Italy . . . so that he will 'know the ropes' on both sides. He was the secretary of the Committee of Imperial Defence, and he went from a position like this, a responsible adviser of the government on these important matters, to be the director of a firm which is making huge profits out of government contracts. . . ."

Still more specific was Mr. Newbold, who wrote: "We are all familiar with, and perhaps now some of us will have a clearer understanding of the meaning of, that specious plea so often made, that questions concerning the defence of the Empire should be removed from the dusty arena of party politics. The trust has taken good care that this is, as far as possible, already the case. It has its champions in both political camps; it has made friends with the hand that feeds it; it has left no stone unturned upon its triumphant way.

"It has its friends at court, its directors in the Peers and Commons, supported by scores of shareholders; its voice is heard in the press and its apostles in the pulpits of cathedrals and tabernacles. The money-changers of the world shoulder its abbés, its bishops, its pamphleteers, its patriotic orators, and its privy councillors, while of retired admirals, generals, and half-pay officers in its employ a special national reserve might be formed.

"In the Lords there are, on the Liberal benches, four directors—three with their coronets newly burnished—Baron Aberconway, Baron Glenconner, Baron Pirrie, and Baron Ribblesdale.

"Lord Aberconway, nephew of John Bright and a founder of the Eighty and National Liberal Club . . . is chairman of John Brown & Co., Ltd.

"Lord Glenconner is Mr. Asquith's brother-in-law, high commissioner of the kirk of Scotland, president of the Peebles Branch of the National Service League, chairman of the Tharsis Sulphur Co., and has large holdings in the Noble Explosives Co.

"Lord Pirrie . . . is chairman of Harland & Wolff, Ltd., and

debenture trustee of John Brown & Co., Thomas Firth & Sons, and Coventry Ordnance Co.

"Lord Ribblesdale, the fourth advocate of 'peace, retrenchment, and reform,' in the gilded chamber, stated at the last meeting of the Nobel dynamite trust:

"Our steady increase in business is due in no small degree to the constantly growing demand for war material. . . . In view of recent events in southeastern Europe, it does not, however, appear that anything approaching a condition of universal disarmament is within measurable distance."

"Opposite these gentlemen sit the following directors: The Marquis of Graham, Earl Grey, Earl of Denbigh and Desmond, Baron Balfour of Burleigh, and Baron Hillingdon, besides a swarm of shareholders, among whom the most illustrious are Lord Midleton (formerly Mr. Brodrick) and the great proconsul of India, Earl Curzon of Kedleston.

"The Marquis of Graham commands the Clyde section of the volunteer naval reserve and is a director of Wm. Beardmore & Co.

"Earl Grey, late Governor-General of Canada and a vice-president of the Navy League, is a debenture trustee of Armstrong, Whitworth & Co.

"Earl of Denbigh and Desmond, a vice-president of the Navy League and of the National Service League, is . . . a debenture trustee of the Fairfield Shipbuilding Co., part owners of the Canadian Shipbuilding Co.

"Lord Balfour, senior elder of the Kirk of Scotland, is a debenture trustee of Wm. Beardmore & Co., and the Coventry Ordnance Co.

"Lord Hillingdon represents Messrs. Glynn, Mills, Currie & Co., the bankers, as well as Vickers, Ltd., and Wm. Beardmore & Co., of which he is a debenture trustee.

"Lord Midleton is interested in Armstrong, Whitworth & Co., and Lord Curzon, who is nothing if not an imperialist, in Messrs. Hadfield's Foundry Co., Ltd.

"In the House of Commons are many popular figures. There is Lord Claud Hamilton, director of Messrs. Hadfield's. Then Sir Alfred Mond, vice-president of the Navy League and chairman of the Mond Nickel Co.; the brothers McLaren, scions of the new



nobility of Aberconway; Godfrey M. Palmer, shareholder in Palmer's Shipbuilding Co.; Sir Stephen Furness, member of the National Service League and director of Richardson, Westgarth & Co.; Sir J. Compton-Rickett, treasurer of the Free Church Council; and Sir J. B. Lonsdale, member of the Solemn League of Ulster, the former interested in John Brown & Co. and Cammell, Laird & Co., the latter in Armstrong, Whitworth & Co.

"Higher in the social scale, shall we say, stand Right Hon. Alexander Ure, the Right Hon. Lewis Harcourt, and the Right Hon. the Speaker of the House of Commons with shares in Vickers, Ltd.; the Right Hon. Walter Runciman and the Right Hon. Stuart-Wortley, respectively shareholder and debenture trustee of Cammell, Laird & Co.

"Outside of the trust, but a truly picturesque figure, is the honourable member for Portsmouth, Admiral Lord Charles Beresford, chairman of Henry Andrew & Co., Ltd., of Sheffield (according to *Who's Who in Business*, specialists in 'steel for rifles, swords, shot, and shell').

"The churches are represented by the bishops of Chester and Newcastle, both members of the National Service League and shareholders in Vickers, Ltd.; the bishops of Adelaide, Newport, and Hexham, interested in Vickers, Ltd., Armstrong, Whitworth & Co., and John Brown & Co.; Dean Inge of St. Paul's, like Baron Kinnaird, president of the Y.M.C.A., and Sir Walter Runciman, a well-known Wesleyan, are shareholders in Vickers, Ltd.

"After this 'laying on of hands' one is not so horrified to find that the chairman of Armstrong, Whitworth & Co., Ltd., has been given the order by a grateful government of Commander Jesus Christ of Portugal."

What is the situation today? Among members of the British government Lord Hailsham was a stockholder in Vickers, Ltd., but disposed of his shares in 1933. When Sir John Simon, Minister of Foreign Affairs, sold out his stock in the Imperial Chemical Industries, the *London Star* of March 9, 1933, reported this instance, with the following editorial comment:

"Sir John Simon has taken a step which every lover of peace will recognize as a handsome effort to clear himself of any sug-

gested connection with armaments. It was recently pointed out to him that through his holdings in Imperial Chemical Industries he had actually become financially interested in munitions, since one of its subsidiary companies was making munitions for the Far East.

"Sir John, when the point was brought home to him, immediately cleared out all his holdings in these shares. He is seriously concerned about the traffic which he said in the House of Commons many people regarded as 'horrible.'

"He has read through with careful attention the pamphlet 'The Secret International' which the Union of Democratic Control published on the international activities of the armament interests, and he could not help being impressed by its cold statement of facts."

The trustees of the Wesleyan Chapel Purposes, Ltd., of Manchester, after reading the same pamphlet suddenly realized that the Handley Page Company was a war firm and holding stock in it was not quite in accordance with the Bible, so they decided to advise the Swanage Circuit to sell and invest the money in other securities. But numerous Members of Parliament hold impressive amounts of war stocks. High-placed officials and soldiers among the directors of Vickers-Armstrong, in a list compiled by the U.D.C. April 14, 1932, included:

General the Hon. Sir Herbert Lawrence, chairman of Vickers, Ltd., since 1926. He was formerly the Chief of Staff, Headquarters British Army in France, from January, 1918. After a distinguished military career in South Africa, in Egypt, in France, and in the Dardanelles, he left the army on retired pay in 1922.

Sir Mark Webster Jenkinson, former controller of the Department of Factory Audit and Costs at the Ministry of Munitions, and Chief Liquidator of Contracts at the Ministry of Munitions after the war.

General Sir J. F. Noel Birch, after a long military career, was Artillery Adviser to the Commander-in-chief in France 1916-19. He was the Director of Remounts, 1920-21, Director-General of the Territorial Army, 1921-23, Master-General of the Ordnance and Member of the Army Council, 1923-27.

Sir J. A. Cooper was the Principal in Charge of Raw Materials Finance at the War Office 1917-19, and then became the Director of Raw Materials Finance at the Ministry of Munitions, 1919-21.

Sir A. G. Hadcock was an Associate Member of the Ordnance Committee, and like Commander C. W. Craven, Colonel J. B. Neilson, and Major-General G. P. Dawney and other directors, had previous military experience.

In Japan today the world sees the renewal of German Kruppism of the twenty years preceding the World War. The members of the Cabinet and the royal family are the large stockholders of the armament companies, and the militarists control Japan more thoroughly than the Junkers ever ruled Germany. Baron Mitsui has recently been accused of being the real instigator of the Chinese boycott of Japanese commerce. The boycott was considered an act of provocation by Japan and Japan marched on Shanghai and up to the Great Wall, while the Mitsui enterprises boomed with war orders.

In Poland, Rumania, Czechoslovakia, the national governments make it a policy to acquire 50 per cent of the stock of whatever armament works exist or are established. Skoda in Czechoslovakia presents a distressing problem. Both President Masaryk and Eduard Beneš, who holds the post of Premier or Foreign Minister and who is the strong man of the nation, are pacifists at heart as well as oratory. Not only does the Masaryk-Benes government own half the Skoda works, but Skoda is the leading manufacturer of the country, and any League of Nations decision banning completely the exportation of war materials or cutting production to a bare national minimum would seriously cripple Czechoslovakian finances and industry.

Of the financial power of the armament international more will be said, and much more of its activities as a peace-disturber and its control of the world press in militarizing public opinion and protecting its profits.

## Chapter Eleven

### Armament-makers Corrupt the Press

*The pens which write against disarmament are made with the same steel from which guns are made.*—ARISTIDE BRIAND.

THE development of the "will for war" in the children of a nation is a twentieth-century phenomenon. Its sponsors are the leading dictators, notably Mussolini and Hitler. In Russia, under Lenin and Trotsky, children were also prepared to fight for the "world revolution," the battles of the proletariat, not only in their own countries, but in foreign lands to which they might be sent, as soldiers, when the year is ripe.

But this training of a warlike generation is a plan for a distant future, and inasmuch as wars cannot be fought without supporting mob opinion, the war-makers have need of a friendly press at all times. The people, who in the words of M. Briand "never want war," can be made into war enthusiasts easily—but only through the medium of inflammatory newspapers. Armament campaigns depend almost entirely on the press.

The corruption of public opinion by the armament-makers has been one of the great secrets of the past fifty years. When newspapers in the name of patriotism attacked pacifists as traitors, when they sabotaged international conferences and ridiculed world peace movements, no one suspected them of being owned by the munitions manufacturers. Today, in fact, few readers know who owns and directs many of the journals they believe in. But since the World War many startling facts have come to light.

For example, the readers of the *Pittsburgh Gazette-Times*, now deceased, never understood the motives of the owner and editor who daily in editorials and in biased and distorted news dispatches held disarmament up to ridicule, attacked all peace movements, opposed union labour, high wages, upheld child labour, boosted the Navy League and the so-called patriotic defence and security societies, shouted "Bolshevism" when anyone proposed a "New Deal," attacked the Christian Churches for

meddling in the affairs of the steel companies by supporting an investigation of living standards and always took the side of the coal-mine owners and the steel-manufacturers and the armament interests. Here is a sample editorial:

"What is meant by that resounding mouthful 'disarmament by the United States'? Isn't it true that the United States is pretty well disarmed as matters stand? . . . There isn't much sense in talking of the United States disarming before it is armed."

Such an editorial was accepted as honest opinion by the public which did not know its inspiration. Its inspiration was the late Senator George T. Oliver, owner of the newspaper, owner of a steel plant, owner of 1,000 shares of stock in the United States Steel Corporation, owner of a large interest in copper-mines, owner of 7,700 shares in the Pittsburgh Coal Co., as he testified in the Senate lobbying investigation, and owner of the largest two newspapers in western Pennsylvania. The above-mentioned editorial appeared during the preparedness campaign in the United States, at a time billions of dollars were being spent for munitions by the Allies. The Sage Foundation report that "cruel and inhuman treatment" was accorded labour in the steel-mills, including those owned by Senator Oliver, was suppressed by the Oliver newspapers but armament orders were encouraged.

When Nobel bought the *Stockholm Aftonbladet* he did not do it secretly or for the purpose of fomenting war or selling munitions, as many of his colleagues did later. He stated, simply: "It is a peculiarity of mine never to consider my private interests. My policy as a newspaper-owner would be something like this: To oppose armaments and deliveries of mediæval weapons, and to advocate that the manufacture of arms, if it already exists, should be confined to each country. For if there is a branch of industry that must needs be independent of export to other countries, it is the industry of defence. And since Sweden has factories which produce arms, it would be shortsighted and ridiculous not to hold them to this course. I wish to own a newspaper because I have a desire to inspire and inculcate a very liberal tendency in its editorial policies. There is enough sour dough—there is no need to increase the supply in this country, where the intelligence of the people is 500 per cent ahead of the government."

But when Zaharoff and Krupp went into the newspaper business it was for military purposes. The machine-gun race between Germany and France could not have been run without manipulation by these gentlemen of the newspapers of both countries. At the time he decided to use Greece to fight Turkey, Zaharoff bought up a number of Athens newspapers, which immediately began whipping up a war spirit. When the Kemalists won, Zaharoff dropped these journals.

Years before the World War, Zaharoff through Vickers, became a power in British journalism. In 1910 he invaded France, buying stock worth a quarter of a million (gold) francs in a company called *Quotidiens Illustrés*, which published illustrated papers, the best known of which is *Excelsior*. During the war he advanced a million and a half francs to M. Turot for the Radio Agency, which was the only competitor to Havas in France and which therefore furnished news to the competitors of the Associated Press. All Zaharoff-owned publicity organs have consistently supported the French viewpoint at peace and disarmament conferences and helped wreck them.

Today the Comité des Forges controls not only a great part of the French press, but to a great extent, and through it, the policies of the French Government. The Comité and its banks control *le Temps*, *le Journal des Débats*, *l'Echo de Paris* of Puttloff fame, *l'Ordre*, *la Journée Industrielle*, *le Bulletin Quotidien* and *l'Observation Economique*. These and many other newspapers are heavily in debt to the armament-makers.

The controlling stock in *le Temps* is held by François de Wendel and M. de Peyerinhoff, who is president of the Comité des Houillères, or the coal-mine owners' association. It was acquired in 1931, just in time to use it for sabotaging the Geneva Peace Conferences and supporting Japanese aggression against China. The Comité placed Jacques Chastinet, a leading oil man, on the board of directors. Emile Mireaux, agent of the mine-owners was their choice in the *Temps* council and he also succeeded François Poncet as director of the Société d'Etudes et d'Informations Economiques, the press bureau founded in 1920 by Robert Pinot, secretary-general of the Comité des Forges.

Loucheur, eight times a Cabinet member, and head of the French steel combine, which is part of the Steel Cartel, (German,

Belgian and Luxembourgian as well as French) also had an interest in *le Petit Journal*. The president of this paper, before the war, was Charles Prévost, a shell-maker.

François de Tesson, whom General Pershing and the entire American press section of the A.E.F. will remember as liaison officer with the French command, himself a leading French journalist, said in a report to the League of Nations:

"Rare indeed in our time are newspapers edited, controlled, and owned by pure journalists. Interested coalitions often dominate newspapers or else great magnates make themselves complete masters, more concerned with their individual interest than with the public interest. It may even happen that in an entire region the press is dominated by a trust or is merely the pliant tool of some superior organization."

Two employees of the Comité des Forges are André Tardieu, several times Premier of France, representative of big business and Fascist elements, and François Poncet, now ambassador to Germany, both of whom passed their apprenticeship with the armament manufacturers as heads of the Comité's press bureau.

Of the French press in the armament race before the World War, Professor Delaisi wrote contemporarily:

"The press, by its sensational news, its daily dose of fury, its exaggeration of the German peril . . . fills the people with a degree of irritation and alarm which predisposes them to make sacrifices (in sanctioning the war budgets).

"A special agent, a talented journalist, long attached to the *Echo de Paris*, is responsible for distributing among the journals the golden manna intended for stimulating their patriotic zeal. Not a journal of any importance but receives marks of his generosity. One day one sees the *Matin* devote a whole page to the dock constructed by Creusot at Bordeaux; another day it is the *Temps* which publishes a luxurious illustrated supplement in honour of the armament firms. . . . The weeklies . . . *Science et Vie* (which belongs to the *Petit Parisien*) and *Je Sais Tout* recently published eloquent articles on battleship-building and on the need of field howitzers. Alongside these articles, on the cover pages, were to be seen advertisements paid for by Schneider and Co. No doubt that powerful firm does not suppose that the readers of these magazines will ever buy a 75-ton gun or a 15,000-ton

cruiser. . . . The advertisement pays for the reading matter. And what else should the review do than give whole-hearted support to an armaments campaign calculated to benefit so good a client?

"So if a diplomatic incident occurs, if the Kaiser utters a lively speech or the Reichstag passes a military estimate, the whole chorus of the hireling press immediately commences, as if under the bâton of an invisible conductor, to intone the hymn of the 'German peril' and under the factitious emotions aroused by these journals, contracting Ministers and steel-trade generals proceed to drag several million dollars from the taxpayers for perfectly useless orders."

And of this same *Echo de Paris* the Paris paper *la Lumière* in 1932 published a series of articles which the Union of Democratic Control summarizes as follows:

"A violent and audacious campaign is being carried out against disarmament; it is being done through the *Echo de Paris*, and its political leader-writer, M. de Kerillis. To fill at the same time the coffers of his propaganda organisation and those of the *Echo de Paris*, M. de Kerillis has launched an appeal for funds, which cynically is called 'the campaign against disarmament' (*Echo de Paris*, March 10, 1932), and whilst he announces that the propaganda is going to be intensified in their district, he puts in the headlines 'The Struggle against Disarmament' (*Echo de Paris*, March 16, 1932).

"On the subscription lists which this big reactionary paper publishes one sees several anonymous subscriptions of 25,000, of 50,000, and even of 100,000 francs. It is quite evident that these anonymous gifts hide the big interests which would lose by disarmament.

"The article subsequently describes the full page advertisements taken in the *Echo de Paris* on July 15, 1931, by S.O.M.U.A. S.O.M.U.A. is connected with Schneider and stands for 'Société d'Outillage Mécanique et d'Usinage d'Artileries.'

"Thus it is the artillery-manufacturer—namely, the cannon merchants—who fill the coffers of the *Echo de Paris*."

When the Japanese, September 12, 1931, used the destruction of a railroad bridge near Mukden as an excuse, à la Sarajevo, for war, and marched into Manchuria, the Chinese protested to



the League of Nations. In November the Japanese occupied Tsitsihar. The United States sent a note and the League called a meeting in Paris. All of this Japan ignored while it extended its occupation of Manchuria.

The world press, at this time, accused Japan of violating the Nine Power Treaty ("to respect the sovereignty, the independence, and the territories and administrative integrity of China"); the Kellogg-Briand, or Paris, Pact ("that the settlement or solution of all disputes or conflicts of whatever nature or whatever origin they may be, which may arise among them"—the high contracting parties—"shall never be sought except by pacific means"); and the League of Nations Covenant (Art. X., "to respect and preserve as against external aggression the territorial integrity and existing political independence of all members of the League" and Art. XVI., "should any member of the League resort to war in disregard to its covenants . . . it shall *ipso facto* be deemed to have committed an act of war against all of the members of the League of Nations").

The universal condemnation of Japanese imperialism was echoed in the French press for only a short time. For a little while the great Paris dailies spoke of the "noble" Chinese patriots, of the Japanese "bullies," of Chinese bravery and Japanese atrocities. Japan was the aggressor, the guilty party. All the big Paris dailies sent their special war correspondents who sang this same daily tune.

At this time Japan was relying on its own munitions. But in 1932 Japan found it needed more guns, more shells, more airplanes, more bombs, more armaments, and gave its order to Eugène Schneider. Millions of dollars were involved. Schneider and other members of the Comité des Forges founded the Franco-Japanese Bank to handle the new war trade. Immediately the Comité gave orders to the newspapers it controlled to go over to the Japanese side. The change was so sudden that the editors were forced to cable the war correspondents to begin supporting Japan the very next morning. In the Paris press the next day could be found delayed telegrams from the front praising the Chinese as heroes and fresh telegrams calling them bandits; old telegrams speaking of Japanese cruelties against the Chinese, and new telegrams relating for the first time Chinese atrocities

equal to or worse than the Japanese. The brave, outnumbered and outgunned Chinese who had been likened to the Belgians of 1914 now became, for France, a lot of guerilla warriors, their country in a state of anarchy, and the Junker Japanese of yesterday the friendly restorers of law and order and the French idea of civilization.

For the German preparedness campaign to be successful the armament-makers needed a corrupt press both at home and in foreign countries. The most spectacular episodes of the Krupp-Zaharoff intrigue to keep the nations at a fever-heat of patriotism have been noted in the Putiloff affair and the *Figaro* affair.

Krupp owned or controlled the two Berlin dailies, the *Neueste Nachrichten* and the *Taegliche Rundschau*, and the *Rheinische Westfaelische Zeitung*. Liebknecht in his exposure known as the Brandt-Kornwalzer affair, declared this armament-maker also had bought up the *Etoile Belge* and an Italian newspaper. The house published the *International Review of all the Armies and Navies* and a military and a naval almanac. Krupp's influence over the semi-official Wolff Bureau, Liebknecht said, came through government connivance.

At Essen Krupp organized one of the finest propaganda bureaus in the world. It was also an information office for his salesmen. One thousand newspapers and many thousands of clippings were filed and special attention given to provincial newspapers from foreign countries which were more likely to mention the laying down of ship keels, armaments, military and naval plans, and the building of fortifications.

The union of the armament-makers and the German government was clearly illustrated in the special preparedness and national defence numbers published by the *Leipziger Illustrierte Zeitung*. After the navy number of 1911, arranged for by the press bureau of the Admiralty, the following letter was sent to all war contractors:

War Ministry  
Secretary's Dept.  
No. 911—13 Z.I.

Berlin W.  
Leipzigerstrasse, No. 5.  
23rd. February, 1913

The special number of the *Leipziger Illustrierte Zeitung*, appearing 10th April, will be devoted entirely to the German Army, and

will be published with the collaboration of the War Ministry in Berlin. To insure the completeness of this number it is very desirable that Army Contractors and all industries concerned in the national defence should publish in it accounts of the history of their development and descriptions of their processes of manufacture.

The Secretary's Department of the War Ministry will give any further particulars required.

(Signed) HOFFMANN,  
Major, Head of the Department.

Baron Stumm, who made a fortune in the Dillingen works, was the owner, with his brother-in-law, Schubert, of the jingo *Berliner Post*. In addition Stumm subsidized a large part of the German militarist press.

Geheimrat Alfred Hugenberg, chairman of the board of directors of Krupps for many years, not only owned or controlled more than sixty newspapers, but founded the *Telegraphen-Union* to compete with Wolff. In 1933 Hitler ordered the amalgamation of the two agencies under the direction of Otto Meyer, the Hugenberg official, with Dr. Albrecht of Wolff's, his assistant and Captain Wilhelm Weiss, executive editor of Hitler's *Voelkische Beobachter* as associate director.

Hitler came into power after suppressing the opposition press before the final election campaign. After coördinating all German activities in the manner of Mussolini, he nationalized the press, made it a servant of the state, ended all journalistic freedom. By this means the National Socialist government has been able, at a time the rearmament or disarmament question became the first international concern, to suppress all information of secret armament or the training of the Fascist storm troops in the national Reichwehr units.

Pacifism is outlawed by Hitler, and rearmament is made the patriotic endeavour of the press. In June, 1933, German newspaper correspondents in foreign countries received from the Wilhelmstrasse a packet with instructions to help defeat disarmament plans and at the same time turn the blame on others. The five inclosures are summarized as follows:

1. "What a French General thinks about Disarmament and Security." An extract from a speech by Gen. Niefel advising the

Officers of the Reserve in Nantes that machine guns were a better guarantee for security "than the hollow speeches of Utopians."

2. "France will not disarm," dealt with the mechanisation of French cavalry and the military training of railwaymen in Poland.

3. "Regular and Reserve Officers in Labour Service" was an extract from an American paper, intended to prove the military character of the American Labour Service (the C.C.C., presumably).

4. Survey of disarmament conferences.

5. "Questions to be tackled in the coming weeks." These included Security, Effectives, Military Training, Land Materials, Arms Manufacture, etc. Under the last mentioned the instructions read: "The abolition of private arms manufacture must be opposed, since in this case state manufacture would only be encouraged." The instructions conclude: "We must now work in a planned way so that the blame for the failure of the Disarmament Conference is put on France's lack of will for Disarmament. On the other hand, nowhere must a German desire for rearmament be expressed, but only its desire for Disarmament."

The six British newspaper proprietors and leading journalists who held stock in Vickers-Maxim, the three interested in John Brown, the builder of warships, and the eight listed by Armstrong-Whitworth are but one indication of the power of the armament-makers in controlling public opinion in England.

The outstanding militarist, jingoist, preparedness advocate, fomenter of war scares and spokesman for armament interests was Alfred Harmsworth, the publisher of *Tid-Bits* who became Lord Northcliffe owner and publisher of the *Daily Mail* and the *Times*.

Northcliffe's *Daily Mail* was considered by the German government as one of the chief causes of the war. If ever a journal claims the credit or blame for leading a nation into war, it will be duplicating the case of this newspaper in England. With Northcliffe it was a boast. It was he who prepared England for war, he would say, and prove it. The false news, the fraudulent war scares, the untruths about German war preparations which Northcliffe disseminated are well known.

Northcliffe believed he was a journalistic reincarnation of Napoleon; he cultivated the physical pose also. He was ruthless. His mind was a collection of headlines. He was one of the rare Englishmen who understood America and American civilization and was as much at home in New York or Chicago as London. He smashed Asquith, created Lloyd George, and "knifed" Lloyd George during the Genoa conference when he supported French intransigence. When he died he was hailed in the world press as a genius; he had been insane for many years.

Lord Northcliffe's acquisition of the London *Times* was one of the great tragedies of the world's journalistic history. He continued its conservative trustworthy typesetting, but made the newspaper, then considered the most reliable in Europe, a rabid, sensational, untrustworthy organ of jingoism and personal ambition. The *Times*, now happily again in sane hands, was little better than the *Mail* in creating the war panic. It is notable that conservative big business, which the *Times* was supposed to represent, was against the war in 1914. The financial journal, *The Economist*, under date of August 1, 1914—the editorial no doubt was written a day or two before this critical day—declared finance and business were in sympathy with Austria, that "if a great war begins, Russian mobilization will be the proximate cause. And we fear that the poisonous articles of the *Times* have encouraged the Tsar's government to hope for Britain's support." It maintained that "the attitude of the *Times* is utterly opposed to the feelings of the business community. . . . In maintaining strict neutrality Mr. Asquith and Sir Edward Grey can count upon the support of the Cabinet, the House of Commons, and the nation. . . . The attempts of the yellow press and of the *Times* to drive the government into a European war are happily not seconded by the sober-minded part of the Unionist press in the provinces and Scotland. . . . The commercial and working classes of this country are just as friendly to Germany as to France, and they will almost unanimously reject the idea of helping Russia to extend its empire in Europe and Asia." Two days later war was declared.

Until his death, August 14, 1922, Northcliffe continued to use his *Daily Mail* to fight disarmament. Armistice Day, 1921, President Harding made one of the most significant moves in

modern peace history. The Washington Conference is one of the few which has accomplished anything of importance. H. G. Wells, who arrived as representative of a syndicate of newspapers, thought it would "become a cardinal event in the history of mankind. It may mark a turning point in the history of human affairs." Although an American cynic said of the United States delegation that its "left wing will be represented by Elihu Root," Secretary of State Hughes electrified the peace-seeking world by his proposal of a ten-year naval holiday, the scrapping of sixty-six warships, and the 6-5-3 ratio in naval strength which later became the present 5-5-3 ratio.

When France proposed to cut its army down to 525,000 men, and reduce military service from three to two years, Mr. Wells exclaimed, "This is not disarmament, it is economy." Later, when a treaty was in sight, Mr. Wells protested that Russia, which was continuing to build an army and navy, was absent, and he was the only man to call attention to the future rôle of the armament ring. Why, demanded Wells, have not the governments taken over the munitions works, and taken real measures to control armaments?

Northcliffe's *Daily Mail* replied by firing Mr. Wells. The cable read: "Tell Mr. Wells I am not asking him to change his opinions, but to express them more decorously with regard to France." *Le Petit Parisien* also threw Wells out, and its owner, M. Dupuy, raised the question of the "growing responsibility of the press in international politics"! (This same newspaper is listed among those taking money from the Tsar.) The *New York World*, which had organized syndication for Wells, replied to Northcliffe: "Mr. Wells is under the same instructions as every member of the staff . . . no policy except publication of the truth." The *Manchester Guardian* supported Wells and said France had no reason to take offence, but Jacques Bainville, notable political writer, cabled that "Wells is a Socialist. . . . Our greatest friends in all countries are the reactionaries."

When Northcliffe's brother, Lord Rothermere, got control of the *Daily Mail* it continued, despite Britain's renunciation of the Anglo-Japanese treaty which made the Harding conference a success, to support Japanese militarism. The Japanese had obtained the support of the French press by ordering millions

of dollars' worth of munitions from members of the Comité des Forges. They also placed orders in Great Britain. But the only support Japan received for its militarism came from the chief antagonist of German militarism, namely, the *Mail*. Its news columns were coloured with pro-Japanese editorials. In January, 1933, in a Geneva news dispatch it was stated that "unfortunately the indications are that the Chinese consider that Japan's latest military moves entitle them to employ force." Editorial comment, which could not be more editorial than the news columns, attacked "well meaning sentimentalists in Great Britain" for asking drastic action of the League against Japan, for "demanding that the committee of nineteen . . . shall report against Japan [which] is to be required to withdraw from Manchuria. . . ." The *Mail* defended Japan's occupation of Manchuria as "vital to the safety to Japan. She has rights which every impartial mind must admit. . . . For her interests there she fought the war of 1904-05 against Russia. But for her stupendous effort in that struggle that country would now be part of the Soviet dominions. (The old Red boggy again, in 1933.) . . . Were she driven from it the probable result would be its annexation by Moscow. . . ."

In March the *Daily Mail* supported the plans of the armament-makers with a leading editorial "Stop the Embargo." "The rapid advance of the Japanese troops on Jehol" said this paper, "has made the British embargo on the export of arms to the Far East look ridiculous.

"The Government would be wise to withdraw this measure without further delay. . . . The main result . . . has been to cause serious tension with Japan. . . . Our first duty is to the British nation, and we are certainly not required to inflict on that nation grievous loss and possible risk of dangerous diplomatic complications in an issue which only remotely concerns us, and where the ruling of international law is decisively and emphatically on our side. Our good relations with Japan, and the welfare of the unemployed, ought not to be sacrificed for a mere 'gesture.'"

In the United States the armament clique does not find it necessary to purchase newspapers, but it has found it profitable to

organize patriotic societies and maintain a munitions lobby in Washington, of which more will be said later. All that the gun-, armour-, and airplane-makers have to do is raise the flag, shout patriotism, and the rest is easy. The State Department has on more than one occasion been the instrument of the munitions men, whose religion is "Preparedness," and the war-makers, whose policy is profits.

In 1919 the editors of Mexico begged the editors of America to prevent the war they saw imminent. The *casus belli* would be the Jenkins affair. An American consul had been kidnapped by bandits and released on payment of \$150,000 by the Mexican government. Jenkins was immediately arrested and charged with "conniving with the outlaws who carried him off." Bail was fixed at \$500. But the United States government would not listen to the Mexican side of the case and the State Department demanded release without bail.

At this moment the interventionist press declared that the long-awaited excuse for war with Mexico had fortunately and dramatically arrived. Senator Fall made his first plea for war.

It was not until 1929, when disclosures were made in the Senate and House that America learned how close the country had been to war with Mexico in 1926 and 1927 when the Mexican government tried to restore to itself the billions of dollars' worth of oil lands which had been obtained by American and British companies by bribing the Diaz régime. The connivance of the State Department in perverting the American press has been disclosed by several honourable Washington correspondents, notably Paul Y. Anderson of the *St. Louis Post-Dispatch*.

Mr. Anderson has told how Robert E. Olds, Assistant-Secretary of State and former law partner of Secretary Kellogg of Kellogg peace fame telephoned the representatives of the three large American news agencies to meet him on September 16, 1926. The three arrived. Mr. Olds after pledging the journalists to secrecy as to the source of their information, made a lurid oration against "Bolshevik Mexico."

"Gentlemen," he said, "we feel that this picture should be presented to the American people. We cannot prove it, but we are morally certain that a warm bond of sympathy, if not an



actual understanding, exists between Mexico City and Moscow. . . . I want your advice and coöperation."

The representative of the United Press said simply: "Let the State Department issue a statement over the signature of the Secretary of State; every newspaper in the country will publish it." Mr. Olds refused to join the government with his propaganda. The United Press correspondent and the representative of the International News Service, owned by Hearst and therefore expected to aid in any anti-Mexican propaganda, shook their heads and walked out. But the representative of the Associated Press of America, the great coöperative news agency, the Cæsar's wife of journalism, obliged. On the morning of November 18th the newspapers of America appeared with flaming headlines: "Bolshevik Plot against U. S. in Mexico." The opening paragraph read:

Washington, Nov. 17 (A.P.).—The spectre of a Mexican-fostered Bolshevik hegemony intervening between the United States and the Panama Canal has thrust itself into American-Mexican relations, already strained. . . .

Olds' statement to the effect that "Mexican Bolshevism was reaching down through Nicaragua to threaten the defences of the Canal" was further enlarged by the Associated Press into "a picture of Bolshevism rampant in Latin America, menacing the safety of the key of American national defence." At the same time the American embassy in Mexico was the centre of interventionism and hatred. Anyone who expressed friendship for Mexico or proposed reconciliation instead of war, was denounced by diplomats as a "liar," a "skunk," or a "traitor."

In April, 1927, the United States mobilized its aircraft in Texas. War correspondents were sent to the border by the *Chicago Tribune* and other newspapers which knew what Washington was planning. But Representative Huddleston of Alabama arose to denounce the administration as "deliberately and consciously driving toward war in Mexico to protect American business interests . . . so that the oil interests pay dividends." American labour protested war. The liberal newspapers and weeklies not only protested intervention, but named the oil-operators who were working for it. And, more important yet, certain financiers

and big business interests who stood to lose instead of profit by war, made their views known also. Dwight W. Morrow, a Morgan partner, was sent to Mexico, and aided by the emotion of the Lindbergh arrival, he made a peace by which bloodshed was averted and the oil lands, incidentally, saved for American operators. (Eventually Mr. Fall, who rose from Senator to member of the Harding Cabinet, went to prison for accepting \$100,000 as a bribe from the oil companies for whom he had preached war.)

A striking example of armament propaganda in the United States can be found in 3,257 daily and weekly newspapers of the spring of 1916. At this time, in the midst of a preparedness campaign, and at a time when Ambassador Page from the Court of St. James's was warning Wilson that only American intervention could save Britain from collapsing financially and the Allied war from collapsing militarily, the Navy Department proposed building a government armour plant. The Bethlehem Steel Company replied with a series of advertisements in 3,257 publications.

This nation-wide attack on the government's plan soon bore its fruit. Numerous newspapers took the Bethlehem's money and responded editorially. For example, the *Washington Post* (then owned by McLean) printed, two columns wide, on April 13, 1916, the following statement:

"Where private capital can and will serve the people well at reasonable and fair prices, the *Post* shall at all times oppose the entrance of the government into competition with such private enterprise.

"The Bethlehem Steel Company can serve the country well. No one doubts that. . . .

"Every patriotic American should be gratified that our country has secured such an offer . . . as proposed by the Bethlehem. . . ."

The offer was to reduce armour plate to \$395 a ton instead of the prevailing price of \$425, or "to make armour at any price which the Federal Trade Commission may name as fair." The Bethlehem advertisements also contained the statement from Mr. Schwab that "no representative of the Bethlehem Steel Company is seeking or has sought to influence legislation as to the size of naval or military expenditure," and a letter from President E. R.

Grace to Senator Tillman of the Naval Affairs Committee stating that "it is said that a government plant should be built 'to take the profit out of war.' Our company has no inclination to make capital out of the military necessities of the United States. In the event of war or threatened war, all the facilities we have for any purpose are at the disposal of the United States government upon its own terms. . . ." These two statements should be compared with the testimony in the Shearer case when Bethlehem and its friends were accused of hiring an "observer" who fought against the limitation of armaments in Geneva and in Washington and propagandized for the Jones-White naval-construction bill in Washington. They should also be compared with the statement of Bethlehem earnings during the World War.

In 1933 and 1934 a large part of the American press was influenced by the American armament industry, notably the latest recruits, the airplane manufacturers, in a new campaign for preparedness by huge armaments. Despite parity with Great Britain, that nation still remained the "enemy" for several great newspapers, but the majority directed their campaigns against Japan.

"A particularly provocative article," Lieutenant-Colonel George A. Drew of Canada called the publication in *Liberty* of December 3, 1932, headlined "Japan's New Threat to the United States!" under which millions of readers were given the best possible argument in favour of increased armaments. The article told the public that Japan's ambitions in the Far East "are bound to bring war with us." It continued: "All who are interested in the Far Eastern problem must realize that a war between Japan and the United States seems to be unavoidable. Will the outburst happen in a few weeks or months, or will it come in ten years? This nobody knows; but Japan is ready for it, and is provoking it, while the United States is not prepared and does not want to fight. . . ."

"There are those who say: 'No! No war! Not now, anyhow. Don't accept the challenge. Leave China and the whole of Asia to themselves. If necessary, give away the Philippines and Guam. We are not ready for war. We are weakened by unemployment. . . .'

"But others say: 'Now or never. If we fail now, Japan will

have the reputation of being invincible. She will invade Asia. She will take all the islands of the Pacific. And after that, with the help of a billion Asiatics, she will invade America. It is true that the United States is not yet ready for war—it is true that the war may be long and bloody—but eventually America will win and will save her next generations from a disaster.’

“These are the two viewpoints. Which is right? is the question which America is facing now and must answer.”

In similar vein a chain of newspapers published an article by Glenn L. Martin saying that the American air service was crippled, and another by Capt. N. H. Goss of the U. S. Navy saying the new naval program would still leave the U. S. below treaty strength, while Secretary of the Navy Swanson, used *Liberty* for a sensational propaganda article for a big navy. The old 1916 preparedness campaign was on again in the American press.

In Germany the relationship between the munitions-makers and the press was no longer a secret after 1913; in France the ownership of numerous journals by the Schneider-Wendel interests was a public fact, and the purchase of British, French, Greek, and other newspapers by Zaharoff, secret at a time war impended, has been common knowledge in Europe for many years. Hugenberg, general director of Krupps, purchased groups of newspapers which he still owns.

In the face of these facts the second International Press Conference meeting in Madrid under the auspices of the League of Nations was not surprised to hear a proposal from one of its members that correspondents of newspapers or news services receiving money from armament firms be forbidden to operate in foreign countries. It would be more correct to say that no one was surprised but the American delegates. A New York correspondent cabled that “a touch of humour” was added to the convention “and for some reason excited opposition among the French and other delegations.”

But a day later, when M. Rosenberg of Russia insisted that his resolution be adopted, the surprised and incredulous representative of the *New York Times* cabled that the conference had brought “into the open some unpleasant facts. Subsidizing of newspapers by munitions plants, which has been kept carefully

behind closed doors in Europe for years, came out for a second time. . . . The Little Entente and French delegates succeeded in having the resolution killed. One French delegate stated squarely that his nation would not accept any proposals, if this were included. . . ."

A resolution calling it improper for the press to carry on propaganda for aggressive warfare was lost through Italian Fascist opposition. The Fascist delegate, likewise the Hungarian, refused to explain their action, but the Lithuanian asserted the press of his country must continue to agitate for the transfer of Vilna from Poland to Lithuania.

In March, 1919, Professor Walter Schuecking of the German delegation to Versailles, an authority on international law, pointing out the six main flaws of the treaty, said one of the most important was the failure to take measures to control the press, "to prevent it from fomenting international complications."

The famous report of the League of Nations Commission of 1921 which made the six charges against the munitions interests, said in No. 4: "That armament firms have sought to influence public opinion through the control of newspapers in their own and foreign countries." In that same year the League passed a resolution, which is, of course, no more effective than hundreds of other resolutions of the same body concerning disarmament. It was: "The same persons (*i.e.*, the holders of shares in private munitions factories and members of their boards of directors) are forbidden to assume ownership or control or to exert any influences on newspapers."

In the same 1921 report there is a list of possible ways of controlling private manufacture of armament with a view of preventing possible evil effects. One recommendation is "the possibility of taking measures to prevent armament firms and companies or persons largely interested or holding responsible positions in such firms or companies, from owning, controlling, or unduly influencing the newspaper press."

In 1924 the Temporary Mixed Commission for the Reduction of Armaments reported the outline of a draft treaty entitled "Principles Recommended as a Basis for an International Convention on the National Control of the Private Manufacture of

Arms, Munitions, and Implements of War," which provided that the holder of a licence to manufacture must not be in a position to influence a newspaper, and furthermore, that "the holder of a licence must agree not to carry on propaganda of any kind relating to the war materials for which a licence has been granted."

A committee of inquiry in 1926 embodied the principles into a draft convention making more specific the provisions against the influencing of public opinion by armament firms. It sought to prevent advertising by these companies, but took no action against the secret inspiration of war scares.

In 1928 the special commission preparing a Draft Convention on the Private Manufacture of Arms and Ammunition and Implements of War provided for a licence system but no publicity regarding the ownership of the armament companies, and the specific provisions against influencing public opinion and parliaments are omitted. "This omission," in the opinion of Professor Stimson, "and the omission of publicity regarding ownership of the concerns deprive the convention of the character of an attempt to counteract the war-provoking influence of the manufacture of armament. This draft convention ceased to embody the ideas of the movement. . . ."

The Polish government in 1931 suggested that the League approve a resolution calling upon its member nations to imprison any person guilty of "incitement to war" and any person publishing "false and tendentious reports on the international situation." Foreign Minister August Zaleski, sponsor, explained that inasmuch as all countries have accepted the principle of the condemnation of war as an instrument of national policy, his measure would not involve the freedom of the press. He further suggested an international press conference and a tribunal which would hold a trial, on the application of any professional press organization, of "any journalist accused of pursuing activities dangerous to peace."

All these actions preceded the 1933 international press conference where the mere mention of the relation of armaments and journalism occasioned such incredible American surprise.

The armament industry in a large part of the world remains able to control public opinion through ownership of a large part of the world press.

## Chapter Twelve

### Saboteurs of Peace

ALL the great scandals of the pre-war era, the Krupp-Brandt case in Germany, the Thompson case in England, the Vickers-Mitsui affair, were eclipsed in 1929 when Congressional investigation in Washington gave new evidence that armament-makers still conspired against the peace of the world.

The Harding conference having set the ratios for warship building, the leading nations engaged in a cruiser race as ruinous financially and as dangerous politically as those preceding. For economic, and perhaps also for humanitarian reasons, President Coolidge in 1927 called a conference at Geneva to limit cruiser construction. This conference was, in the language current at the League of Nations, "torpedoed" by hired secret agents of the warship-builders. One man accused was William B. Shearer, who called himself "American, Christian, Protestant, Nationalist," and the "Big Drum" of the American navy. But British and French munitions agents were just as active in sabotaging the conference.

"The United States," said Lord Robert Cecil, "is not the only country to have its Shearers, its armament interests, and its professional patriots. I am acquainted with the activities of Shearer and can testify that he exerted himself to the utmost to make the agreements difficult." There were no agreements.

Shearer, who is a former employee of the Navy Department, and who claimed that in 1924 a group of naval officers, including four rear-admirals, hired him to campaign for a big navy and more bases, admitted being active in Washington for several years before going to Geneva in 1926 to reconnoitre. In 1927 he went there again, this time paid "observer" of the American ship-builders, "to see that the United States got a square deal in publicity."

The American naval and civil delegation, in accordance with tradition in frightened American diplomacy, refused to take the newspaper men into confidence, as representatives of European governments do.

Shearer went about saying he was a naval expert and proving that he had the confidence of the American officers present. He was also a good fellow. His cocktails were dry, his dinners Lucullan. It was evident he was well posted on naval affairs and the facts and figures he handed out were correct, although the propaganda that went with them, in the testimony given later, was poisoned. All the journalists in Geneva knew Shearer's game; those who themselves were upright and honourable and those who represented liberal-minded newspapers shunned Shearer; but to him flocked all the representatives of the jingo press, the anti-Japanese newspapers, the "Gott straff England" newspapers, the Mexican intervention journals, the imperialistic expansion press, the supporters of military occupation of Nicaragua and Haiti, the big navy, the big business newspapers which either held stock in munitions companies or whose stock was held by them, and all the super-patriotic newspapers which believe that armaments mean peace, not war.

Lord Bridgeman, head of the British delegation, and Lord Robert Cecil spotted Shearer at once as the source of anti-British propaganda among the press, the agent of armament-makers, the would-be wrecker of the conference. At the beginning of the conference Lord Bridgeman at a conference of British and American journalists declared, as he afterwards said in a letter to the *London Times*, that "he had not disputed and did not intend to dispute the claim of the United States to equality in naval strength." Now this was the whole crux of the problem. Shearer's slogan, announced at every one of his conferences with the press, was "No parity, no treaty." The British were for parity. But Lord Bridgeman said that his frank interview with the press was distorted in the *Chicago Tribune* to the effect that "Bridgeman would never agree to parity."

On reading this account, the British naval head immediately called together a few of "the most responsible of the correspondents, who assured him that the *Tribune* version was false."

He went further. Learning of Shearer's activities against Britain and against the success of the conference, "I caused representations to be made to the chief delegate of the United States about the course I believed Shearer was taking."

Nothing came of this. It was now apparent that success or



failure depended on Shearer's activities. The British asked he be curbed; the American delegation, friends of Shearer's, took no action.

Shearer continued to act "as the unofficial leader of the fight," as he called himself; he continued to confer with the American naval and diplomatic delegates, to confer with the press, every member of which knew whom Shearer represented and why, and he had the satisfaction, in August, 1927, of seeing the peace conference founder on the rocks of discord, where he, with the voluntary assistance of certain American journalists and certain American officers and diplomats, had steered it.

In the British press Shearer was immediately accused of propaganda work, but with the exception of such newspapers as the *New York World*, the *Baltimore Sun*, the *Christian Science Monitor*, the *St. Louis Post Dispatch* and the other liberal American journals, no mention was made of the armament agent by the correspondents in Geneva who were publishing his "hand-outs." Throughout Europe the rumour spread that Shearer had smashed the conference, but America was almost ignorant of the matter, and it might have remained so had not Shearer in 1929, his work well done, sued for the money he said the armament-makers still owed him.

He asked the courts to award him \$255,655. From the Bethlehem Shipbuilding Corporation, the Newport News Shipbuilding and Dry Dock Co. and the American Brown Boveri Electric Corporation he had received a meagre \$51,230 for his work as "observer." Thus the scandal was brought to light by a lawsuit, as so many previous armament scandals had been.

President Hoover was shocked. "Every American," he said, "has the right to express his opinion and to engage in open propaganda if he wishes, but it is obviously against public interest for those who have financial interests in, or may be engaged in, contracts for the construction of naval vessels, to attempt secretly to influence public opinion or public officials in favour of larger armaments or to attempt to defeat the efforts of governments in world limitation of such armaments or to employ persons for such purposes.

"I do not believe that the responsible directors of these shipbuilding corporations have been a part of these transactions as

represented in the lawsuit, but their statement of the case is needed." He ordered a Congressional investigation.

It was then that that part of the great American press which is not represented by special correspondents in Europe, and which was betrayed by the propaganda which Shearer's journalistic friends sent out to the metropolitan newspapers, had an opportunity to voice its indignation. The voice of this provincial but powerful American press is heard in the following editorial from the *Memphis Commercial Appeal*: "The President's accusation adds weight to the already prevalent opinion that wars are brought about by commercial interests that are not unwilling to promote their welfare at the sacrifice of life and treasure. There are so many evidences that international hostility has its foundation in trade and competition that the world is beginning to regard as a tragic and pathetic figure the boy who leaves the plough, seizes the flag, rushes into the fire of the enemy, and lays down his life for his country, that speculators may be made rich and millionaires made multi-millionaires."

When the Senate finally began its investigations it reversed usual procedure: instead of listening first to the accusations against a munitions lobby, the *raison d'être* of the committee's existence, it called on Charles M. Schwab, chairman of the board of directors of the Bethlehem Steel Company, Eugene Grace, president of the Bethlehem Shipbuilding Corporation, Henry C. Hunter, counsel of the National Council of American Shipbuilders, Clinton L. Bardo, president of the New York Shipbuilding Co., Samuel W. Wakeman of the Bethlehem Shipbuilding Corporation, Frederick P. Palen, vice-president of the Newport News Shipbuilding and Dry Dock Company, and other big-navy men to defend themselves before the attack was delivered. Senators Shortridge and Allen, the inquisitors, appeared crude, muddled, and spiritless in cross-examining the warship-builders. They became a little emotional and ironical in badgering Shearer. Senator Borah, who was not a member of the committee, said of Mr. Grace's letter to President Hoover which stated Shearer had been employed without his or Schwab's knowledge, and merely as an observer, that it was "an insult to the intelligence of the American people."

The hearings were held in an atmosphere of patriotism. Shearer

is a patriot and the warship-builders are patriots. Unfortunately a dispute had occurred, but it was not the intention, apparently, of the Senate to draw any evidence which might aid the pacifists, whom Shearer had termed "communists, bolsheviks, and traitors." No effort was made to investigate the naval and security leagues which were associated with Shearer; in fact, the impression was given that Shearer was being grilled not because he had defeated American peace advocates, spread hatred of Britain, and insinuated disastrous propaganda in the press, but because he had turned upon his employers with a demand for money payment.

A newspaper jingo which a few weeks earlier had printed his picture with the underline "William W. Shearer, observer at Geneva, for a group of American patriotic societies; . . . expert on naval affairs . . . caused a national sensation by publicly charging that since the Washington Arms Conference the American navy had been crippled until its strength was far below that of the British navy . . ." now fired him.

To make Shearer look ridiculous, one of his master blunders was exposed. He had placed great faith in a "British plot" because he had found a "secret document," the British report on naval imperialism written supposedly by Sir William Wiseman. This pamphlet he took to the Navy Department, where it was copied and circulated. It proved a hoax, written for public amusement by Dr. William J. Maloney of New York, a naturalized Scotsman, and sold by him for five cents. The Senators had a lot of fun with Shearer about it; no emphasis was placed on the Navy Department's coöperation.

Bardo testified Shearer was first employed in 1926: "that related to the merchant marine." In March 1927 he, Palen, and Wakeman met in response to a letter from Mr. Hunter and agreed to send Shearer to Geneva.

At that time the Bardo firm employed Frank Lord in Washington. To Senator Allen's question whether Lord did any lobbying for the Jones-White bill, Bardo replied he did not like the word "lobbying" and that Lord was used "just to run errands." So that was that.

Charles M. Schwab, chairman of the board of directors, Bethlehem Steel Company, appeared. A fine, grey, old, kindly, sweet,

sentimental gentleman whose sincerity, honesty, and lack of knowledge of Bethlehem activities impressed all listeners. Like Woodrow Wilson's heart *anno* 1917, Mr. Schwab's, *anno* 1929, beat for all humanity. "At a dinner given in honour of Marshal Foch . . . I said, that as controlling the greatest ordnance works then in the world I would gladly see it scrapped and sunk to the bottom of the sea if it would bring peace. . . ." He still maintained this view. He had never met Shearer. Why was he interested in the Geneva conference? "I wanted to see peace come to the world . . . as a patriotic American citizen . . . from the prosperity point of view of this country. . . ."

So that was that.

Mr. Wakeman's testimony was magnificent evidence of the existence of that world-famous myth, colossal Yankee shrewdness. He said simply that he had not looked up Shearer's credentials because on meeting the naval expert he was just "jazzed" off his feet. Another representative of big business, Homer L. Ferguson, testified he saw no significance in the merchant-marine fund for lobbying in Washington being transferred to Geneva activities.

Up to then the Shearer investigation was nothing but a field-day for the armament-makers. They had heard nothing, seen nothing, said nothing, understood nothing. But unfortunately for them there are certain newspaper correspondents who can never be bribed. Such a one is Drew Pearson, who during the conference cabled that "a paid American big-navy propagandist who disseminated the most violent anti-British propaganda among newspapermen, and who appeared to be encouraged by some of the American naval experts" was wrecking the conference.

Called as a witness, Pearson testified concerning Shearer's relations with the American press and with the American naval delegation. He said Shearer always instructed the journalists what they should write after each conference.

Shearer, hale, hearty, and pugnacious, began his statement by saying that Charles M. Schwab was the first representative of the shipbuilders with whom he talked. His first contract, he said, was for \$7,500 to cover the Sixty-ninth Congress, the three-cruiser-bill Congress. When he went to Geneva he took letters from "practically every patriotic society in the United States

who endorsed my stand. . . . The Native Sons of California, the Daughters of the American Revolution and the National Security League."

His first contact with the press was during the Red-baiting 1920's. "I was asked or I was approached by a man you all have heard of in his fight against the communists. He was then editor of the *New York Commercial*, a man by the name of Major Charles, of Military Intelligence, and incidentally the executive secretary of the American Defense Society. . . ."

Just as he was about to sail for Geneva, he received a blue book of "facts" in a franked envelope from the United States Navy Department. Arriving in Paris, he went to see the newspaper correspondents with whom he was to work in Geneva. As proof of his work he presented letters of thanks from them. His credentials as a journalist were furnished by Mr. Henry Wales of the *Chicago Tribune*. Armed with a press card which made him representative of the *New York Daily News*, he was able to enter the press galleries, confer with the journalists, and attend the press receptions given by Ambassador Gibson and the naval delegation.

Returning to America, he testified, "my publicity campaign continued in the Hearst papers, *Washington Post*, journals and weeklies. . . . I have advised certain patriotic societies in their campaign against the pacifists." He claimed he had been speaker and adviser for years for the National Security League, the Daughters of the American Revolution, the American Legion, the American Defense Society, the National Committee of Defense.

For organizing the patriotic societies for Hearst he received \$2,000 a week. The object was to attack the League of Nations and the World Court.

On July 12, 1927, early in the conference, Shearer had foreseen its results. To his employer, Mr. Hunter, he wrote: "This show [the Geneva conference. Lobbyists and the wise, cynical, men-of-the-world journalists who know that politicians not idealists control the League of Nations, always refer to sessions as "shows"] may end abruptly. Gibson [Ambassador, head of the American delegation] handled our case admirably. This will be the only conference America ever won. Gibson gives the credit to

the American press; we have been able to defeat the British propaganda machine and get the figures out.

"The inclosed is the shot I issued on the date of the plenary session which was postponed. The *Chicago Tribune*, Chicago, has from the start taken the same stand as the *New York Times*. Colonel McCormick, owner of the *Chicago Tribune*, sent word to Wales, the correspondent here, to shoot all my stuff.

"Sent out 250 copies of the Marine Follies. I issue a statement daily to the leading American correspondents here, including the Associated Press and United Press. Yours very truly, W. B. Shearer."

(The United Press denied it had used Shearer statements.)

To Messrs. Palen, Wakeman, and Bardo, Shearer wrote, March 10, 1928, again modestly referring to himself: "At the close of the Coolidge Naval Conference, August 4, 1927, the European press recognized and acknowledged the effect of my campaign, referring to it as 'the triumph of the theses of William B. Shearer, the American.'"

The night that the Tri-Power Conference ended in failure, Wythe Williams cabled to the *New York Times* that Mr. Shearer "was openly exultant. His exultation continued the following day when one of the leading Geneva papers ran an article about him under the heading 'The Man Who Wrecked the Conference.' . . . If, as he says, he was employed to help wreck the conference, the opinion at Geneva would be that he had earned his money."

Who else earned money through failure of peaceful understanding?

In a letter to William M. Flook, president of the American Brown Boveri Electric Corporation, Shearer concludes: "That your organization would benefit materially there is no question, and I believe you personally recognize to some extent what I have contributed to the cruiser problem which I originated in 1924. . . ."

To "My dear Mr. Wakeman" Shearer wrote, January 30, 1928: "Pursuant to our last private conversation and understanding in your office, that future negotiations would be with me direct, I wish to call your attention that as the result of my activities during the Sixty-ninth Congress, eight 10,000-ton cruisers are now under construction. Further, that owing to the

failure of the Tri-Power Naval Conference at Geneva, there is now before the Seventieth Congress a 71-ship-building program costing \$740,000,000. . . .

(Concluding) “. . . I feel the time has arrived for me to come out in the open, as suggested by Mr. Palen and Mr. Wilder, in the interest of all who are seriously interested in the shipbuilding industry and adequate sea power. Very truly yours, W. B. Shearer.”

Patriotism had triumphed and the best part of \$740,000,000 from government appropriations were on their way to the private armament-makers.

The Senate investigation had few results. The attempt to discredit Shearer only partly succeeded; it left indisputable proof that he had been a paid agent, that he had gone to Geneva, that he had helped wreck the peace conference. To escape the charge they had hired a lobbyist to defeat the American government's hopes, the great American business men, the builders of the American navy and the American merchant marine, deliberately made themselves foolish on the witness stand. They didn't know what it was all about. They had been victims of an over-zealous over-patriotic agent. They had been jazzed off their feet and out of their minds. They were innocent. They were also subtle.

Those newspapers which Shearer boasted he had sent his propaganda but which had not used it, sent in denials and protests; the others maintained the usual discreet silence. No one more than the press knows the power of silence. Several editors had been tricked by their correspondents. They had had no knowledge of how propaganda agents influence their men abroad. No mention was made of the fact that the Geneva correspondents who worked for Shearer did so not because of his cocktails and dinners and for no material gain but because they realized his views paralleled the home paper's policy.

For the American navy, Rear-Admiral Reeves testified he had never expressed the hope the limitations conference would fail; he believed in an agreement, just, fair and equitable, to limit navies “for a very simple reason. American naval officers, in the event of war, desire our country shall have a navy of equal strength to that of the enemy. . . . They recognize that a naval limitation agreement is the only means by which equality can be

assured. . . . Therefore American naval officers desire a naval limitation agreement. . . .”

The warship-builders had a few black moments, but did not suffer morally or financially. They had admitted spending \$143,000 in lobbying for the Jones-White Merchant-Marine Act in 1928 and they had admitted that they did not fire Shearer until March, 1929, the 15-cruiser bill having been passed in February and eight ships awarded the private manufacturers. The smash-up at Geneva had resulted in business orders for millions of dollars for them and the creation of the revolving fund of \$250,000,000 for loans in the construction of new vessels. Truly Shearer said, “As a result of my activities . . . eight 10,000-ton cruisers are now under construction” by the firms which employed him.

In 1933 and 1934 these same firms were awarded a great amount of warship construction in Secretary Swanson’s program of building the American navy up to British and Japanese strength—on the eve of the 1935 limitations conference. It seems that the wages of sin are death-machinery contracts.



## Chapter Thirteen

### The Munitions Lobby in Washington

RATHER than admit they ruined a peace conference fostered by President Coolidge and the League of Nations, American armament-makers wisely confessed their lobbying activities for the mercantile marine and the fifteen-cruisers bills.

Previous to this disclosure and during the 1929 hearings, Mr. Schwab denied American armament-makers indulge in lobbying.

At the moment of reading proof the writer has received confirmation of the charge that motivating influence behind the Vinson big navy bill came from the munitions makers.

In the 1933 embargo hearings before a House of Representatives committee the president of the Colt machine-gun company ridiculed the notion that a munitions lobby existed in Washington.

Brigadier-General William Mitchell, foremost protagonist of the American air service, has twice declared it undermined by the army and navy lobby.

In February 1934 William P. MacCracken, ex-Assistant Secretary of Commerce, arrested for contempt of an order from a Senate committee investigating graft and corruption in airplane contracts, was generally referred to as "lawyer-lobbyist for the larger air transport companies." On the 27th of the same month "the activities of former-Senator Smoot of Utah and his son in behalf of an air-mail carrying concern were described to the Senate committee."

From all the foregoing allegations and facts it is obvious that (a) there are various lobbies in Washington paid for by armament makers and (b) that the term "lobbyist" having fallen into disfavour, the representatives of the armament industry are either its high officials or members of Congress themselves, or, at worst, just high-class lawyers or former government officials who receive ample remuneration but reject the unwelcome title.

If any man doubts that the munitions lobby not only exists in Washington, but has defeated presidential peace plans for twenty years or more, let him approach his Senator or Representative with the suggestion that an investigation be made or a bill intro-

duced in any way curbing the war profiteers or the armament dealers. In the past three years every individual or organization which has discussed the matter with a member of Congress has been rebuffed either because that politician was interested more in the good business of munitions-making than in international peace or because he realized the hopelessness of fighting the Washington munitions lobby. Every fair-minded, honest, liberal member of the Senate and the House of Representatives admits the situation is bad if not hopeless. Senator Borah assails the munitions-makers. But his vote is overwhelmed in the almost unanimous annual votes from Connecticut, Maryland, Massachusetts, and the other munitions-manufacturing states which consistently favour military expansion and defeat legislation which aims for world peace by armament control or reduction.

George Washington and Abraham Lincoln advocated the nationalization of the manufacture of war munitions as public policy—facts somehow overlooked by all the professional patriotic societies. Lincoln had a ferocious battle with the war profiteers and the munitions grafters. But in those days there were no lobbies. Presidents Wilson, Harding, Coolidge, Hoover, and Franklin Roosevelt have without exception initiated legislation affecting the munitions men and without exception been defeated by the munitions lobby.

In 1914 the neutrality of the United States became a vital question for Europe. But Big Business won easily. The "sell to both sides" advocates had no difficulty in persuading government officials they were right, and the Bryanites, who opposed not only the sale of arms but the making of loans, were routed.

America grew rich shipping foods and munitions to the Allies. Germany torpedoed ships. It is quite obvious, therefore, that American insistence on the right to ship munitions freely to nations at war was one of the real causes, if not the chief cause, of America's participation in the war. "Freedom of the seas" is largely a question of freedom of the munitions trade.

In 1915 one of the strangest means of making peace between two nations was undertaken by a strange American. Although the whole country then laughed uproariously at the Ford Peace Ark, it never realized that its hilarity was to a great extent caused by the munitions agents and propagandists, their paid

press and their paid opinion-makers. Ford had said that soldiers "don't want to fight and would be only too glad to shake hands with each other." The censors had suppressed the story of enemy soldiers fraternizing Christmas 1914. Ford wanted to get them out of the trenches by Christmas 1915. They would have come out. Mr. Wells with unusual historical perspective tells how the Ford idea was turned into poison:

The "malignant antagonism" to the Ford peace plan grew tremendously, the European press vying with the American to ridicule it and its participants. The journalists attached to Ford, says Wells, concocted lies about their host. They were under instructions to do so. Why was this done? Because, Wells says, munitions shipments were crossing the Atlantic, because the Allied banker munitions agent, American finance and Big Business in general, and especially the armament industry, were growing rich and taking every measure to keep up the trade.

When the Ford mission collapsed Wells notes that significant actions were being taken in Washington by the munitions industry, which had suddenly found out that it could have a solvent home market if America "prepared" for war.

The American preparedness campaign of 1915 to 1917 was initiated by patriots some of whom were owners of munitions-plants, some of whom were members of societies financed by the armament-makers, and in Washington the patriots, the agents, the lobbyists of the corporations making billions in Europe and hoping for billions from American preparedness, helped America to arm and to enter the war. The few men like Charles A. Lindbergh, Sr., Robert La Follette, and Representative Tavenner who protested the munitions lobby were called traitors and their writings or their speeches suppressed.

In 1916 President Wilson charged "vested interests" with trying to cause intervention and war in Mexico.

In 1919 the President approved the League of Nations proposed government ownership of munitions plants. He obtained the backing of labour and a large part of Congress. At this critical moment the lobby representing the National Manufacturers' Association appeared in Washington yelling "Socialism." Any legislation could be defeated in those days by raising a red banner.

In 1921 the world faced the problem of rebuilding its navies. The super-dreadnought men were on one side, the submarine and airplane advocates on the other. The American navy replied to Senator Borah's statement that the battleship is obsolete with the dogma that "the battleship remains the principal unit." In England the submarine crowd had many followers, in France the airplane enthusiasts. But in the midst of international discussion the *World* reported from Washington that "the steel interests are prosecuting an active campaign against any reduction in naval armaments. This is being done with the slogan that steel is the thermometer of business in the United States, and the declaration that all commercial enterprises would be embarrassed and handicapped if the steel industry were to receive a severe setback. . . . The most effective lobbyists of the steel interests are here outlining their views to members of Congress and officials of the government. . . . It is known that appeals were made to President-elect Harding, in the belief that he would yield to business persuasion."

Throughout the era of red hysteria in the United States there was circulated secretly what became known as the "spider-web chart." It is still in use. Its object is to show that most of the women's organizations of the country are leagued with pacifist organizations. This means they favour disarmament. Disarmament for America is the sinister plot of Moscow because the Bolsheviki intend to capture the United States and raise the red flag on the Capitol at Washington. At least that was 1920 reasoning. In "Professional Patriots" Norman Hapgood shows the spider-web chart was the work of Lucia R. Maxwell, librarian of the Chemical Warfare Service of the War Department, headed by General Amos Fries. Another disclosure which came years later was that John Thomas Taylor, "legislative agent" of the American Legion in Washington was also acting as treasurer of an organization of chemical manufacturers. The chemical manufacturers of the world have an interest in gas warfare. It was Taylor who led the publicity campaign against the treaty to abolish poison gas in war. Representative Burton of Ohio asked that Taylor's activities be investigated. Representative Fish stated it was Taylor who forced the American Legion at its 1926 convention to adopt a resolution against the proposed treaty.

Lobbyists became a bit too obnoxious for Congress in 1928 when Senator Thaddeus H. Caraway of Arkansas introduced his anti-lobbying bill. He claimed there were between 300 and 400 organizations lobbying for or against legislation, 90 per cent of them "fakes who prey upon the credulity of those who have an interest in what Congress may do." He proposed that all such agencies register with the secretary of the Senate and the clerk of the House, stating what they were there for, how much they got, who paid. The definition of lobbying given in the bill was:

"Lobbying shall consist of an effort to influence the action of Congress upon any matter coming before it, whether it be by distributing literature, appearing before committees of Congress, or interviewing or seeking to interview individual members of either the House of Representatives or the Senate."

But in March, 1929, when President Hoover sold some government military supplies to Mexico, the lobbyists of the munitions-makers protested he was interfering with private business.

Later in the year came the most important lobby exposure in post-bellum history. To the story of Shearer in the preceding chapter must be added certain facts. First, that newspapers and politicians knew about Geneva for two years and did nothing; second that in asking for an investigation Senator Borah suggested the government break its contracts with armament-makers if found guilty; third that according to Shearer's statement to the present recorder, there have been absolutely no results from the hearing and it is impossible for him to bring the matter up for action. Shearer's employers are today sharing the new billion-dollar naval-expansion program. That it was the intention of the President to have action follow words is evident from the public statement which ordered the investigation. Mr. Hoover said:

"I have been much interested in the disclosures in respect to the relations of a naval expert. . . .

"This propagandist has, during the past few years, organized zealous support for increased armament and has been a severe critic of all efforts of our government to secure international agreement for the reduction of naval arms, which includes activities at the Geneva conference and opposition to the movement which I have initiated in the past three months. A part of this

propaganda has been directed to create international distrust and hate. . . .

"In the meantime, I have directed the Attorney-General to consider what action we can take. Unless the companies can show an entirely different situation from that which is purported in this suit, we are compelled to consider what measures can be proposed to free the country of such influences. . . .

"I am making this statement publicly so that there can be no misapprehension of my determination that our present international negotiations shall not be interfered with from such sources and through such methods."

Although nothing has come out of the Shearer case except official evidence that armament agents sabotaged peace at Geneva and Washington, the investigation caused one curious reaction. The American Legion rushed into print with a demand that the peace lobby should also be inspected; it attacked the National Council for the Prevention of War, the Federal Council of the Churches of Christ in America, the American Civil Liberties Union, the League for Industrial Democracy, the National Students' Forum and other organizations opposed to new wars.

In the hearings on the fortifications appropriations bill, in 1912, the charge was made that a powder lobby existed and functioned remarkably well in Washington. The accuser was Robert S. Waddell of the United Safety Powder Company of Louisville, Kentucky, former general sales agent for the Du Ponts. "It is almost impossible to obtain a copy of this document now," Congressman Tavenner says in his speech which appears in the *Congressional Record* of February 15, 1915; "I will therefore quote a few extracts from the copy of the hearings which I have.

"Mr. Waddell was testifying that although there was a large profit in the powder business, it was impossible to get investors to build a plant to compete with the Du Ponts in government business, because, he declared, the Du Pont Company maintained a lobby and enjoyed such close connections with government officials that it would be impossible to successfully compete with them."

Mr. Tavenner then gave Congress the following extracts from the 1912 hearings:

MR. WADDELL: The Du Pont Trust is so strongly entrenched, and their methods are so binding on the Government and everyone associated with it, from tradition, from personal influence . . . and all other causes that they use through their publicity bureau in their promotion of their business, that it would be impossible to dislodge that organization from the business that they hold. It would cost too much money to do it. . . .

MR. WADDELL: I should say that my statement in regard to the potency of the Du Pont lobby in Washington is the fact that they maintained here a Mr. Buckner, who was the president of the International Smokeless Powder Co. and a vice-president of the Du Pont Trust. He devotes his entire time and attention to Washington business; makes this his headquarters. He does not do anything else. When I was with the company they paid their vice-presidents \$30,000 a year, and I presume he is getting a good, rich salary and a liberal account for expenditures. I know there is a very great deal of money spent here for entertainment—not offensively; I would not use it in that sense, but in the same sense that a sales department always does; they entertain their customers and treat them as well as they know how. They are as courteous as they can be and spend a great deal of money in that way, and we would have to meet that kind of competition.

QUESTION: Translating your statement, is it your judgment that it is necessary for a company to maintain what you have designated on the part of the Du Pont people as a lobby, with considerable expense, in order to obtain from the Government equal consideration of any proposals you might be prepared to make touching the furnishing of powder?

MR. WADDELL: I think my judgment of lobbies here is that they are an offense rather than a benefit to the government.

QUESTION: You say "they." Whom do you mean by "they"?

MR. WADDELL: The Du Pont Trust have a publicity bureau they maintain which is for the purpose of influencing not only the purchasers of powder and the people who place their orders, but even the Department of Justice and the United States courts. . . .

MR. WADDELL: The Du Pont Trust, so far as I know, have never been accused of unwarranted generosity and throwing away money, and the fact that they spend hundreds of thousands of dollars in Washington is one that they can explain the reason for better than I can. . . .

MR. WADDELL: The officers of the Army and Navy, and particularly of the Army, come into intimate contact with Senator Henry

A. Du Pont, of Delaware, who is chairman of the Committee on Military Affairs in the Senate. [Senator Du Pont is not now chairman, but a member of the Military Affairs Committee.] That position gives him a strong influence compared with that of an outside manufacturer, and in stating this I do not want to reflect on any officer, but at the same time the influence of a man high in authority in the Senate and at the head of West Point does have a very potent power over the members of the Army, and it would be foolish for me to ignore that fact.

In the 1928 hearings on House Joint Resolution 183 to arm the President with embargo powers, it was Secretary of War Davis who in one breath declared against profits in war munitions and for private ownership of munitions plants. He favoured shipment to belligerent countries because that gave practice and experience to American manufacturers and thereby maintained the national defence.

When Mr. Cole of Iowa wanted to know whether "killing other people with whom we have no controversies" was preferable to governmental financing of private companies, the Secretary of War raised the point that non-producing countries are opposed to embargoes. Mr. Hull of Illinois maintained that war had to be fomented in order to keep American factories in practice—"You must have war going on to keep our factories in practice?" he asked. To which the Secretary replied, "as far as actual manufacture is concerned, yes. . . ."

Surprisingly, Hamilton Fish, Jr., of New York, world-famous Red baiter and super-patriot, arose to declare that the shipment of munitions to belligerent countries by private industries will drag the United States into war.

The important part of the hearing was taken up with the testimony of the poison-gas makers, all of whom preferred the profits of shipping abroad to any idealistic humanitarian action by the American or any other government. The evidence was unquestioned that the United States does not need continued practice in poison-gas making; in a week to ten days its industry can reach capacity. It is therefore purely a matter of dollars and cents and beating European rivals in the business of bloodshed which animated the chemical manufacturers of America.

The first chemical man to testify was Charles H. Herty, ad-



viser of the Chemical Foundation. He expressed himself in favour of peace, went so far as endorsing the World Court and League of Nations, and demanded greater export fields. Mr. Herty explained that the chemical industry, thanks to protection given by Congress, and on that basis, was able to come to the national defence within ten days and therefore did not need the foreign orders to maintain plant efficiency, as was the case in other munitions.

When R. Walton Moore of Virginia asked, "From the moral point of view, what do you think of that?" referring to the shipment of poison to two friendly nations fighting each other, Big Business replied through its spokesman:

"I think that manufacturers living under our laws as they do would have a right legally and morally, when called upon to furnish materials in the ordinary course of business transactions, to carry that out. . . ."

MR. MOORE OF VIRGINIA: I am asking you, in any conceivable case of war, human nature being what it is, is there any doubt at all that the exportation of picric acid would be started, the stuff to be used to kill people? I am asking you whether that is the moral position to take, any more than for a bootlegger to distribute poisonous liquor to injure people?

MR. HERTY: I cannot see those two cases on all four legs.

Theodore E. Burton of Ohio went farther. He demanded whether the chemical industry wanted to ship poison in time of war to belligerents, and Mr. Herty replied, blandly, "Just as it has always been the case." To the statement of the chairman that an embargo would permit other nations to get the business, Mr. Herty admitted "It is a commercial question." Melvin J. Maas of Minnesota asked if the industry is dependent on war or a peace-time development.

MR. HERTY: Our industry is dependent on competition with so many industries.

MR. MAAS: In time of war?

MR. HERTY: Any time. . . .

MR. MOORE OF VIRGINIA: That is, they would make more profits out of war than otherwise they would make?

MR. HERTY: They would make more money than we would.

The representative of the poison-manufacturers was followed by the Hon. Curtis D. Wilbur, Secretary of the Navy, who read a statement prepared by the General Board of the navy opposing any restrictions on the international trade in arms. Questioned by Mr. Fish, he said of the private munitions-manufacturers: "I have never seen a war in all history brought on by that, certainly not in this country, and the matter of getting into war or not getting into war is always in the hands of Congress."

The head of the Navy Department having reached the nadir of naïveté, Mr. Fish exclaimed: "I want this on the record. I do not know of any factor that tends more to get the United States into war with foreign nations than by permitting or continuing the general policy in future foreign wars of private munition-makers sending munitions to the nations who are belligerents and going always on the side that controls the sea. . . ."

Summing up the inquiry, Mr. Burton was of the opinion that profits was the primary objective of the munitions-makers of America.

Five years passed.

President Hoover, who time and again tried to put through legislation curbing the munitions lobby and the war ring, called a hearing, February 7, 1933, on a resolution against the exportation of arms and munitions of war. This time another new war industry, the airplane manufacturers, permitted its representatives—high officials who would frown on the word lobbyist—to speak for free rugged American individualism in the sale of deadly weapons abroad.

The hearings opened with a declaration from Joseph C. Green of the State Department that from 1922 on, Presidents had placed embargoes on arms to Mexico, Cuba, Brazil, Honduras, and Nicaragua.

In a short debate between Congressman Maas and Miss Jeanette Rankin the latter stated that traffic in munitions in itself has been a cause of war and the former stated that "the real causes of war are economic." To Mr. Maas's further assertion that the United States got into the World War because "we loaned a great deal of money which we had to collect," Mr. Fish declared "we got into the war because we insisted on shipping munitions of war, and Germany, not agreeing to our plan of

shipping munitions, attacked our ships on the high seas and forced us into war. . . ."

With these preliminaries, the war-supply manufacturers got up to state their case. Luther K. Bell, general manager of the Aeronautical Chamber of Commerce read letters and telegrams from practically all the makers of airplanes: Charles L. Lawrence, retiring president of the A. C. of C., Frederick B. Rentschler, president of United Aircraft, J. M. Schoonmaker, president of General Aviation, S. M. Fairchild of the Fairchild Corporation, Charles F. Bardt of the Great Lakes Aircraft Corporation, the Lycoming Manufacturing Company, Clayton J. Brukner of Waco Aircraft, the Eclipse Aviation Corporation, and G. M. Bellanca, all denouncing the embargo, all appealing for the right to sell planes and all pleading patriotism.

Guy Vaughan, director of the Chamber, next testified there were 12,000,000 unemployed, and the airplane export business amounted to \$7,000,000. Mr. Hull asked whether the profits on this amount "are more important than the effect on the world's peace by the shipment of arms." Mr. Vaughan replied: "I do not think so. . . . I have some national patriotic blood in me, but I do want to see this business come to this country. . . . I am for business in building up and getting the unemployed back to work. . . . We have five men out now in foreign countries. . . . The Curtiss-Wright has considerably more. . . ."

To Mrs. Ruth Bryan Owen's question as to how business is done with countries not at war, Mr. Vaughan frankly replied, "By the same means you promote all business. . . . We sell motors just as you sell phonographs. . . ."

Thomas A. Morgan, president of the Chamber, told how twelve American airplanes quelled an insurrection in Cuba. (This was an open admission that American business was in favour of keeping the dictator Machado in power.)

Then the rifle men got their chance. H. F. Beebe, representing the Winchester Repeating Arms Company, said the armament men were as loyal and patriotic as any, but an embargo would hurt American industry.

Samuel M. Stone, president of Colt's Patent Firearms Manufacturing Company, said there were "rash statements made about the arms manufacturers fomenting war, but that is just as

ridiculous as a lot of other things that are said. You gentlemen possibly know that there does not exist in Washington a lobby for the promotion of the interests of munitions-manufacturers. . . ." When Mr. Hull suggested that the embargo was an experiment in making peace, Mr. Stone objected, saying, "the mere announcement of the possibility" frightened prospective customers in foreign countries. Mr. Maas pressed for an answer to his oft-repeated question, whether munitions or economic maladjustments caused war, and Mr. Stone answered by saying "I do not think it is necessary for me to answer."

The Hon. Edward W. Goss, representative in Congress from Connecticut, member of the Committee on Military Affairs, and formerly of the Scoville Manufacturing Company, makers of war supplies in wartime, insisted America must sell munitions in order to be properly prepared. "In other words," said Mr. Hull, "you have got to foment war abroad in order to keep in practice." "No, sir," replied the Hon. Mr. Goss, whose family is still with the Scoville Company.

The hearings ended with the statement of F. J. Monahan, representing the Remington Arms Company, who subscribed to everything said by the Messrs. Beebe and Stone. To Mr. Hull's remark that in order to keep the American war-works in practice, "you have got to have trouble in some part of the world," Mr. Monahan replied, frankly, "Yes, sir."

President Hoover was determined to lay down embargoes against nations engaging in wars, especially those he termed the aggressive nations, but he was opposed at every move by the armament lobby, the airplane-manufacturers and many politicians, notably Senator Bingham. The press noted that "every member of the United States Senate has been approached by the munitions lobby. . . . Many Senators did not realize this . . . the campaign was carried on in the name of patriotism." While Congressional investigations were proceeding, "frightening" some prospective customers, the airplane and gun business with both sides of the Gran Chaco and China and Japan was good.

The battle between President, munitions lobby, and politicians from the munitions-producing states lasted until the end of Mr. Hoover's term. In February, 1933, for example, the Hon. George H. Tinkham, of the munitions-producing state of Massachusetts,

declared war on the peace societies, saying they had a dangerously debilitating and seditious influence on American citizens. He wanted the Carnegie Foundation for International Peace and the Rockefeller Foundation investigated as "the largest and most formidable promoters of disloyal, seditious movements against American independence and neutrality." It so happens that these organizations insist on a neutrality that would prevent entangling alliances and wars caused by the sale of American munitions to foreign countries.

To Mr. Hoover's request that the international convention signed at Geneva for the suppression of the international arms trade be ratified, or as an alternative, Congress pass legislation "conferring upon the President authority in his discretion to limit or forbid shipment of arms for military purposes in cases where special undertakings of coöperation can be secured with the principal arms manufacturing nations," the Senate Foreign Relations Committee reported for the alternate plan. Senator Borah, chairman, enemy of the Geneva entanglements, opposed ratification of the convention which had been awaiting American action since June 17, 1925. At the very moment the Senate finally took up the matter, Bolivia and Paraguay were at war and American firms were shipping munitions to both sides. There was, therefore, a public opinion which noted the absurdity of the American State Department trying to make peace in South America and Congress refusing to take action on gun-shipping.

Senator Borah's resolution got a fine start. It was reported out immediately. Then delay began. A reconsideration was asked. A Senator threatened a filibuster unless it was dropped. This Senator represented the one state in the Union whose chief industry is manufacturing war supplies. He had no difficulty in persuading his colleagues from other munition states to support him. There are twelve armament states, twenty-four "Munitions Senators" in Congress. Between their activities and that of the munitions lobby, whose agents were "horse-trading" with the Senators from other states, who also represented special industries which required special legislation, the Hoover embargo resolution and the Geneva ratification both failed. This President had been waging a Quaker "war on war." But he had gotten nowhere. During his four years the munitions lobby, the munitions

Senators, and the munitions Representatives had their own way in Washington.

In the midst of the bank moratorium President Roosevelt found time for the armament question. The Pact of Paris, the world realized, must be implemented, and the best way was to deny the implements of war to the nations which violate it. As President-elect, Mr. Roosevelt had declared "I have long been in favour of the use of embargoes on arms to belligerent nations, especially to nations which are guilty of making an attack on other nations—that is, against aggressor nations."

France, Britain, and other producing nations sounded out President Roosevelt; the munitions lobbies in all countries took up arms again.

The peace organizations appealed to Senators and Representatives in Washington to institute an investigation into the munitions lobby. Every Senator and Representative approached refused to do so and begged that his name be kept out of the press. The President was then called upon to order a hearing on the following subjects:

1. Stock ownership in arms concerns by leaders of public opinion and public officials.

2. Financial support given to "militaristic organizations," such as the Navy League, the American Legion, and other so-called patriotic societies.

3. Lobby activities in general and particularly for the defeat of the Arms Embargo bill in the past session of Congress.

4. Efforts to prevent the success of the Geneva Disarmament Conference similar to those employed in 1927.

5. Contributions to political parties "to control nominations and elections."

6. The volume of arms sales to Japan, China, and South American countries "engaged in armed conflict in defiance of the Kellogg Pact."

7. Profits of the industry.

President Roosevelt revived the Hoover resolution. He now had a larger Democratic party representation in the Senate and the chief opponent of the measure, Senator Bingham of Connecticut, had been retired. Yet the resolution met more and more

opposition. Washington correspondents reported that "the munitions lobby of the armament manufacturers has approached almost every member of the Senate and, according to an important government official, has 'reached a number of them.'" Senators from the munitions states again showed solidarity.

Finally, on February 28, 1934, the Senate adopted a resolution which reads:

To prohibit the exportation of arms or munitions of war from the United States under certain conditions.

Resolved, by the Senate and House of Representatives of the United States of America in Congress assembled, That whenever the President finds that in any part of the world conditions exist such that the shipment of arms or munitions of war from countries which produce these commodities may promote or encourage the employment of force in the course of a dispute or conflict between nations, and, after securing the coöperation of such governments as the President deems necessary, he makes proclamation thereof, it shall be unlawful to export, or sell for export, except under such limitations and exceptions as the President prescribes, any arms or munitions of war from any place in the United States to such country or countries as he may designate, until otherwise ordered by the President or by Congress:

Provided, however, That any prohibition of export, or of sale for export, proclaimed under this resolution shall apply impartially to all the parties to the dispute or conflict to which it refers.

Whoever exports any arms, or munitions of war in violation of Section 1 shall, on conviction, be punished by a fine not exceeding \$10,000 or by imprisonment not exceeding two years, or both.

But inasmuch as the Senate had changed slightly the original document, it had to be returned to the House, where it rests at the moment of writing.

The newest of the powerful Washington lobbies works for the airplane interests. It was created apparently to counteract the steel lobby. According to Brigadier-General William Mitchell, who once commanded American aviation, the development of the nation's airplane force was prevented by the interests having other weapons for sale. "The nation is air-minded," he said, about a decade ago, "but the army and navy lobby has killed all hope (of having a Cabinet officer in charge of aviation) so long as the

present administration is in power. It is not the party, it is the administration, that is to blame. They have made aviation a political football. . . . The opposition began when we sank their ships in 1921; then the steel interests realized that the building of airships instead of warships would cut their sales to the government."

In 1929 a public statement was made that the position of Senator Bingham of Connecticut "as head of the National Aeronautic Association was manipulated by interests profiting largely from government aircraft contracts. A gigantic air trust . . . and its lobby have worked for the passage of legislation that diverted millions of the government's money to the pockets of the trust. . . ." There was no denial or repudiation.

In November, 1933, the Aeronautical Chamber of Commerce, "representing more than 90 per cent of the entire aircraft industry" sent President Roosevelt a lot of "whereases," the first of which dealt with unemployment, and not with profits; the sixth alleged the United States was fourth or fifth in air strength; finally, \$79,000,000 was requested from the public works fund for war planes. The Aeronautical Chamber did not realize the interpretation which might be made of its claim that the nation's air force was weak. More than \$25,000,000 had been spent annually and lack of planes or motors could indicate only graft and excess profits among the armament-makers.

Early in the new year two air scandals aroused the nation; the military plane scandal, however, was easily overshadowed by the air-mail scandal. Both disclosed the fact that politicians, lawyers, and secret lobbyists were active in Washington. Testimony was given that when the McNary-Watres Act of 1930 was written to give the so-called air combine, United Air Lines, American Airways, and the North American Aviation group, (Eastern Air, Western Air and T.A.T.) a practical monopoly, Mabel Walker Willebrandt, Washington lobbyist for American Airways, helped word the bill. Hainer Hinshaw, who had been an American Airways lobbyist, testified against Postmaster Brown. During the hearings the chairman commandeered a briefcase full of witness's records and from among them drew the fact that Colonel Charles A. Lindbergh received a quarter of a million dollars' worth of



T.A.T. stock, an option for a similar amount, and a salary of \$10,000 when he became technical committee chairman in 1928.

The investigating committee learned that in May, 1930, the big airplane lines held a meeting in the Post Office Department at which Attorney and Lobbyist MacCracken, who presided, divided the United States into convenient parcels to suit the air monopolists. Competition was destroyed. For this reason President Roosevelt cancelled the air-mail contracts.

The House Naval Committee at the same time heard evidence of great profits in military planes. J. H. Kindelberger, vice president of Douglas Aircraft, furnished evidence his company did more than four million dollars' worth of business and made 21 per cent profit.

General Mitchell, testifying on the "pitiful" state of the air service, repeated his former charge that the older services were preventing its expansion.

Governmental audits of all the large airplane manufacturers were read. Some showed small profits, some losses, but generally there had been profits in dealing with the government. The Boeing Airplane Company made 7 per cent on sales of \$374,864 in 1929; 17 per cent on \$1,207,371 in 1930; 55 per cent on \$1,805,891 in nine months of 1931; 90 per cent on sales of \$284,439 in three months of 1931 and eight months of 1932; 14 per cent on \$846,025 in four months of 1932 and eight months of 1933; general average 32 per cent.

Brigadier-General H. Conger Pratt of the air corps testified that the Consolidated Aircraft Corporation made such an enormous profit on its army contract that Major-General Mason M. Patrick ordered it to build fifty planes at one dollar each. Because the Pratt & Whitney Aircraft Corporation was found by army auditors to have made profits of 81.6 per cent and 38.3 per cent on two orders, the government got back \$619,627.

Assistant Secretary of War Harry H. Woodring told the committee reports of fabulous profits were unjust and misleading, the average since 1926 being 19.8 per cent.

In the Senate air-mail investigation the solicitor of the Post Office Department, Karl Crowley, said the former Postmaster-General (Brown) and contractors "worked together in lobbying the (McNary-Watres) bill through Congress." When Ernest W.

Smoot was accused of taking \$19,750 from private individuals and companies while clerk of the Senate Finance Committee in 1929, he replied he was engaged as "public relations" representative for Western Air Express in 1930; that he practised before the different government departments; that his duties were "keeping in touch with developments in Comptroller-General McCarl's office and in the Senate and House appropriations committees." He admitted his father, Senator Smoot, had written a letter to McCarl, who had held up payment on a contract with Western Air. He himself had discussed air-mail appropriations with chairmen of committees.

Colonel Paul Henderson, vice-president of United Aircraft and Transportation Company, testified he had paid several thousand dollars to Lehr Fess, son of Senator Fess, to "expedite" passage of the Watres Act in 1930. The fee was \$3,000 or \$5,000, "I don't know which," according to Henderson, and the job lasted two days. "Did the bill pass while he was here?" Chairman Black of Alabama asked. "Yes," replied the witness. A year later he employed the Senator's son again to find out why he was not "getting on so well" with Postmaster Brown.

According to the armament-makers there are no lobbyists in Washington. According to President Roosevelt, drastic legislation is needed to curb lobbyists in Washington. Speaking to the press conference at the end of his first year in office, the President proposed that new laws be passed prohibiting practice before departments on any monetary matters by party officials, government officials, or members of Congress, and that departments be permitted to issue regulations as to who should appear before them, with the object of eliminating persons who make a livelihood by such representation and receive large sums of money in doing what amounts to action under false pretences.

At a meeting in the White House of the leaders from Capitol Hill and Secretary Morgenthau, the President again proposed a composite bill based on numerous old measures designed to curb lobbying by officials and secret agents. All Congressmen who had anti-lobbying bills in their records were present. Senator King said the proposed measure would prohibit party committeemen, Representatives, Senators, and other citizens in public life "from using their influence for money considerations in behalf of persons

having claims against the government or seeking government favours. It is planned to bar these officials and others from all practice before government departments and to curb other actions that might impinge on lobbying."

Evidently the government had at last realized that lobbying is lobbying, whether done by a secret agent or a public official.

## Chapter Fourteen

### The Men Who Win Every War

#### PART I.—ZAHAROFF, KING OF ARMAMENTS

IN THE old days of Constantinople, fatalistic Mohammedans whose homes Allah set on fire would let flaming nature take its course. But Armenians, Greeks, and other foreigners usually called upon the "volunteers" for help. The latter, a nondescript collection of riffraff, Greeks and Armenians, in summer wore little more than a breech-cloth, and in winter or summer never set hand to pump without arguing first. Their leader and the unfortunate whose home was burning would bargain, the price demanded and offered fluctuating with the flames. A deal made, the business of spraying the first story or two would begin, the water being collected in buckets and poured into a tiny wooden machine worked with handles. If no deal was made the firemen joined the mob in looting the building the moment it was given up as lost.

One of these ancient firemen was the boy who became Sir Basil Zaharoff. He was born October 6, 1849, but refuses to say where. The Patriarch of Constantinople has certified Mouchliou, a suburb of the former Turkish capital; the parish register of Mughla, a village in southwest Anatolia also claims him, and recently both these documents have been called spurious by a Lithuanian who says he is the son and heir. The veils which Zaharoff has permitted to keep his history from the world cover his past and his present. Recently he burned up several scores of notebooks containing his autobiography.

He was named Zacharias Basileios, according to Greek custom, Zacharias after the grandfather, Basileios after his father. The family was Greek, humble and poverty-stricken. There were three sisters, Sebastiana, Zoe, and Chariclea, not one of whom is ever mentioned in the history of this mysterious man. The family lived originally in the Tatavla, the Greek district of Constantinople, and its name was Zacharias. When, in 1821, the Turks invaded the quarter, they fled to Odessa, across the Black Sea, and became Russianized Zaharoffs. In name only; the blood remained

Greek. The family soon returned to Tattavla, where the father sought to give his son an education. Thanks to the schools which Americans have established in the Near East, this was possible. But there being only one son in the family, it was necessary for Zacharias to find work. He did a little business money-changing, ran around with the firemen, finally was lucky to get jobs as a dragoman to American, English, and other wealthy tourists. For years he was one of many hanging around the waterfront, picking up foreign phrases and stray employment, or he could be found in front of the two big hotels in Pera, soliciting tourists with the chant: "Guide?—Want a guide?—Dolmetcher?—Dragoman?"

He was through with the American school at eighteen, and at twenty was lucky to be taken into the cloth business by a wealthy maternal uncle named Sevastopoulos. The shop in Galata flourished. The boy became a partner.

In 1875 in the Old Bailey, London, was written another remarkable chapter in Sir Basil's history. Here he stood facing the criminal authorities, accused of swindling his uncle and of breach of trust. He was charged with robbing the till. Many years later the millionaire Zaharoff smilingly told the Greek Minister Skuludis how it happened: "Cheated by my uncle out of my share in the profits, I believed myself justified in taking from the common cash-drawer the sum of money that belonged to me. I made an exact reckoning of the amount, drew it out of the cash-drawer, and departed for England." This transaction is a keynote to the character of the man. In everything, down to the conduct of war, Zaharoff has always kept a complete, accurate account of things.

With a dramatic flourish the young man produced from his overcoat pocket a document the existence of which he had forgotten and which changed his destiny. It was a letter in which the uncle referred to him as a partner. In those circumstances it was not robbery. The young man was free. He went to Athens because publicity in London made a job impossible. On arrival he Anglicized his name. He was now Basil (British) Zaharoff (Russian), but still 100 per cent Greek.

Stephen Skuludis, politician, took a liking to Zaharoff: they were both natives of the same part of Turkey. The young man, five feet ten, frail, shy, and handsome, mingled with the best

society and had a great success among the ladies. So much so that he made many enemies. The Athens press being what it is, it was expedient for one journal to retell the story of the Old Bailey. Basil departed for England. But his enemies were not content. In the *Mikra Ephimeris* one day appeared a story of an attempted escape from the prison at Garbola; the convict, shot and killed some time ago, was in reality Basil Zaharoff, the paper claimed. The victim of this libel came back to Athens to face his accusers and settle his score.

In 1877 the manager of the Athens branch of Nordenfeldt, the Anglo-Swedish armament firm, telegraphed Skuludis from London, asking that he suggest a successor. On October 14th Basil Zaharoff entered the armament business. According to French commentators it was the British Secret Service and not the Swedish captain which arranged that this Greek, whose record at the Old Bailey it knew, become munitions agent to the Balkans.

At any rate, there was the Russo-Turkish War, and the Balkan War fever, with resultant booms in the price of guns and orders in millions. Greece, with a budget of 20,000,000 drachmas, spent 16,000,000 on the army. Zaharoff visited Montenegro, Serbia, Bulgaria, and Turkey, with excellent results.

His employer, Torsten Vilhelm Nordenfeldt, was operating a small factory in England and inventing war machines. One of them was a submarine. The idea had come to him from the inventors of the American Civil War, but he could not get the powers to believe in his boat. It was at this time that Zaharoff made his first typical coup. He presented a submarine to the Greek nation. The day the submarine was put into commission, Zaharoff took a steamer across the Mediterranean, landed in Constantinople, the home of the enemy, pointed out the Greek danger in the submarine, and sent Nordenfeldt an order for two submarines.

But the greatest coup was the Maxim gun. In Vienna one day were gathered Hiram Maxim, a supposedly shrewd Yankee in a top hat and frock-coat, numerous officers, the Minister of War and King and Emperor Francis Joseph. On one side of the arsenal testing-ground, facing the group, was a target. Maxim sat down

by his newly invented machine gun and fired shots that were heard around the world.

The King-Emperor, the experts, recovering from surprise, seeing and hearing all records broken, fired a barrage of questions at the inventor. He spoke no German. A tall man who had crashed his way in with the newspaper crowd helped interpret.

"What about accuracy?" shouted an officer of Francis Joseph.

Hiram Maxim sat down and fired the initials "F-J" into the target.

The Emperor and the crowd burst into cheers, hand-clapping. Figuratively they were applauding the beginning of mass slaughter on the battlefield. "Wunderbar!" "Fabelhaft!" everyone agreed.

"Wonderful!" shouted the tall man who had helped interpret for Maxim and who had edited the replies, "Nothing in the world can beat this Nordenfeldt gun."

"But we were told the inventor is Maxim, an American," protested an officer.

"No," replied the self-appointed interpreter, pseudo-newspaper reporter, who was none other than our hero, Basil Zaharoff, "this is the Nordenfeldt, the finest machine gun in the world."

All the representatives of the press knew how to spell Nordenfeldt. Austria-Hungary the next morning rang with approval from court and military.

When the military authorities interviewed Zaharoff he admitted that the Maxim gun was a marvel, but he argued it had to be made carefully by hand, under the personal supervision of Maxim; that only one gun at a time could therefore be manufactured; that it was a too complicated affair; that it would never do to equip an army with it because each soldier would have to be a genius like Maxim; in short, it was an impractical invention.

Zaharoff got a big order for Nordenfeldt guns; Maxim got a cold reception in the war office and an order for samples for further experimentation. Zaharoff took the first train to London, rushed into Nordenfeldt's office with the overwhelming news that a revolutionary weapon had been perfected, and persuaded his superior to buy it up at once.

Maxim, the shrewd Yankee, was outwitted by the wily Oriental.

He knew neither foreign languages nor business methods. He was impressed by the Nordenfeldt works in England, Sweden, and Spain. He also realized that Zaharoff was the world's greatest salesman. When the Maxim-Nordenfeldt Guns and Ammunition Company was organized he was greatly surprised to find his patents estimated at £1,000,000 and a loan to produce the new weapon over-subscribed. In 1888 the new concern began to fight Krupp in Germany, Schneider in France, and Armstrong in England. They offered the American gun to the armies of the world.

When Zaharoff demonstrated for Li Hung-Chang, the Chinese prince asked what it cost to fire. "About £130 a minute," replied Zaharoff. "Too rapidly for China," replied Chang. But England in 1889 adopted the Maxim gun. A year later Nordenfeldt retired. Zaharoff was clever enough to ally himself with the American against the Swede. Every cent he earned he put into his own company, so that he began to exert a powerful financial interest. He travelled Europe, knowing whom to flatter, whom to bribe. He "entertained" the Russians in a most cavalier way and got orders.

The beginning of his immense fortune really depended upon a train adventure, his one great romance. Travelling from Madrid to London he met Maria del Pilar Antonia Angela Patrochino Simona de Muguero y Beruete, Duchess of Marquena and Villafranca de los Caballeros, aged seventeen, wife for one year of the Spanish Bourbon prince, relative of the king. The beautiful young woman had made an unfortunate, forced marriage; she fell in love with Zaharoff on the train.

Vickers had promised Zaharoff a partnership if he could land the Spanish war order of £1,000,000. The duchess got it for him.

After outfitting Spain for the war with the United States, Zaharoff sold the Maxim gun to the United States. He sold it to Japan and Russia.

The defeat of Spain was followed in 1905 by the defeat of Russia. This was a godsend for the armament industry, especially for the Greek who could claim he was a Russian. Zaharoff, who had supplied machine guns to the Boers to kill the British soldiers armed with Vickers machine guns, signed peace with his rival at about the same time peace was restored in South Africa. Vickers had bought about £1,400,000 capital stock in the Maxim company, of which Zaharoff now held the majority interest, and



with Sir Vincent Caillard acting as financial adviser, Zaharoff entered the domain of high finance and went to Russia to obtain the best part of the great military reconstruction budget. The arms and munitions arsenal at Tsaritsyn on the Volga was financed and in 1913 a fifteen-year agreement was signed.

Shortly after the Russo-Japanese war Zaharoff established residence at 54 rue de la Bienfaisance, Paris. Among his visitors were the ministers of state, the nobility, the leaders of world society. In 1908 he received the Legion of Honour.

In 1912 the Société Française des Torpilles Whitehead was formed with Zaharoff representing Vickers. Stock was owned by Armstrong, which in turn was partly owned by the British royal family. Marguerite von Bismarck, niece of the prince, and a French admiral were among the other notable shareholders. A year later Albert Vickers retired from the board of directors of the French company, Le Nickel, and Zaharoff took his place. The Rothschilds were fellow directors. That same year Zaharoff was made a knight of the Legion and a year later the French government, on the proposal of the Minister of Foreign Affairs and with the approval of the President of France, made him a commander. The reward was noted in the *Journal Officiel* for *services exceptionnels*.

When the World War began Zaharoff controlled the following armament works:

Vickers

Beardmore

Whitehead (France)

Le Nickel

Russian enterprises at Reval and Tsaritsyn in collaboration with Krupps and Ludwig Loewe of Germany.

A few days before Sarajevo, Albert Vickers told the stockholders that "an era of prosperity is about to begin, thanks to the rapid and continuous growth of our business." In 1915 the Zaharoff group received £12,000,000 from the government for plant enlargement. During the war the British armament industry manufactured 25,000 guns, 240,000 machine guns, 4,000,000 rifles. Vickers alone manufactured 100,000 Maxim machine guns, 2,328 naval and field guns up to eighteenth-inch calibre, and

5,500 airplanes, 3 cruisers, 53 submarines, and hundreds of thousands of tons of shells and ammunitions. A business turnover of £1,400,000,000 (\$7,000,000,000) is indicated, which sum does not include the French and Russian branches, nor the profits from banking commissions and freight charges in companies in which Zaharoff held an interest. Zaharoff was ranked the richest man in the world.

To ease his conscience for all the slaughter his munitions had caused, Zaharoff gave large sums to war charities and established hospitals for the wounded and dying.

Although Zaharoff had during the Balkan wars travelled from country to country, interviewing kings and prime ministers, sown the seeds of suspicion and hatred, sold large orders of guns "for the purpose of national defence" and thereby armed those nations which joined Germany and used British weapons against Britain and her allies, there was only one scandal involving his name during the war. Clemenceau, while Premier, investigated the charge that Zaharoff's agents had furnished carbide to German submarines in the Mediterranean. Reports had been received from Spain. Later, in 1923, Poincaré's attention was called to these reports and he was asked to remove Zaharoff from the Legion of Honour. The French journalist, Xavier de Hauteclocque, is of the opinion that neither Clemenceau nor Poincaré cared to press the investigation into the Spanish case because Clemenceau's brothers were associated with Zaharoff-Schneider companies and because Poincaré himself was affiliated with the steel industry.

Politically Zaharoff played a great part in winning the war. Having made a personal fortune estimated at more than a billion dollars, he was able to give or lend money to politicians, journalists, and secret agents who had patriotic plans which governments could not officially accept. The most important success was the Greek intrigue. King Constantine and his German wife were pro-German at worst, neutral at best, and at all events dangerous to the Allied cause. In 1915 Zaharoff with the aid of Briand began the Venizelos campaign which had for its objective the union of Greece with the Allies. Zaharoff supplied the million and a half francs for the Agence Radio. Its Athens agent, Henri Turot, in 1916, began to align the Greek press. "In order to assure a market for its announcements," says Zaharoff's biog-

rapher, Richard Lewinsohn, "the French propagandists set to work, at Zaharoff's expense, to acquire whole newspapers. The founding of the newspaper, *Eleftheros Typos*, which was friendly to the Entente, was willingly supported. But when the newspaper *Embros* was about to be bought up, the *Patris*, the official organ of Venizelos, felt itself threatened by such competition. The directors went hotfoot to the French Legation and threatened to go over to the Central Powers if they were not also allotted their share of the propaganda moneys. Since the *Patris* was a paper that was frequently quoted in Paris and London, there was nothing for the French Minister to do but wire Paris that the old Venizelist press would have to be soothed with two or three hundred thousand francs. The purchase of the *Embros* came to nothing, and the storm abated. After a time a new paper, called *Kiria*, started intensive Entente propaganda, and a vigorous campaign against the Greek government's policy of neutrality was launched. Step by step the Venizelists, with the help of Zaharoff, were gaining ground." A year later Constantine was out of Athens and Greece was in the war. For this accomplishment the Allies owe the munitions-maker an unpayable debt.

The decorations and honours he received were small rewards for such services. June 30, 1918, he was made a grand officer of the Legion of Honour for "special services in the cause of the Allies," and in 1919 awarded the grand cross—one of few foreign civilians to share a decoration usually reserved for kings. In 1918 the British government awarded him the grand cross of the Order of the British Empire, and in 1921 he was knighted when he received the Order of the Bath. None of these distinctions was sought by Zaharoff. He endowed the Marshal Foch chair of French Literature at Oxford, the Field-Marshal Haig chair of English Literature at the Sorbonne. During the war he had founded a chair of aviation at St. Petersburg and given Britain £25,000 for one. When France called for gold, he presented his gold dinner service to the government. In 1918 *le Temps* announced Zaharoff had spent 50,000,000 francs on charities and helping the Allies subsidize newspapers for their cause in foreign countries.

In 1920, arming Greece for war on Turkey, Zaharoff founded the Banque Commerciale de la Méditerranée. With Vickers and

others he established the Société Française des Docks et Ateliers des Constructions Navale for the purpose of taking over the dock-yards of the Société Ottomane des Docks et Ateliers du Haut Bosphore. He was playing both sides again. At this time the great oil race was on. The British government had acquired a majority interest in the Anglo-Persian, a coup called second in historical importance to the Suez, and was operating in the French colonies and Mexico through the Pearson Company. In Algiers the French authorities forced foreigners to give up controlling interest in French oil companies. When the all-French company took over the Algiers Pearson company it was found that three of its five directors were Zaharoff men.

The greatest blows ever struck Zaharoff were given by Kemal Pasha and Warren G. Harding. Zaharoff is said to have lost half his fortune in the Smyrna adventure. The Washington Disarmament Conference which reached the 5-5-3 agreement after Britain had renounced its treaty with Japan, hit Vickers hard. Vickers stock crashed on the London exchange. Zaharoff lost millions. The Vickers Company entered new fields. The British Westinghouse was acquired and the Vickers Metropolitan Carriage, Waggon and Finance Co. founded. Zaharoff combined with Schneider in the Société Polonaise de Matériel de Guerre and in Rumanian ore and munitions factories. But in 1925 both Vickers and Armstrong were in great financial difficulties. The latter firm, which had made hundreds of millions out of the war, lost £10,000,000. The formation of Vickers-Armstrong was the result. On the silver cup presented Sir Basil, October 14, 1927, were inscribed the words: "Presented to Sir Basil Zaharoff, G.C.B., G.B.E. by the chairman and directors of Vickers Limited on the completion of fifty years' connection with the company and as a mark of their appreciation of the valuable work he has done for them and of their sincere gratitude and high esteem."

After the Greek defeat in Asia Minor Zaharoff found a new means to recoup his losses. In 1923 he began buying up the control of the world's greatest gambling-hell, the Casino of Monte Carlo. By the secret and judicious expenditure of about a million pounds the munitions king drove Camille Blanc out of ownership and placed his agents, including M. Barthou, brother of the former French Prime Minister, in charge. From then on the

Casino was run like a Vickers plant. The world was invited to come and enjoy itself in the principality and drop its coins in Zaharoff's box, while the aged business man enjoyed the sunshine and never set foot on the Casino floor. Business was good and dividends grew yearly. In 1925, for example, 43,700,000 francs were divided and Zaharoff got more than half. In 1928 he sold his stock at an enormous profit and still retained ownership of the Hôtel de Paris.

As he could not officially marry the Duchess de Villafranca de los Caballeros, who was a Catholic and who refused to obtain a legal divorce from her Spanish husband, Zaharoff waited for the ceremony until death made it possible. September 22, 1924, at the age of seventy-five at the *mairie* of Arronville, Zaharoff made one of the very few public appearances of his mysterious life. Eighteen months after this marriage the woman who helped him get his start in munitions and for whom he waited a lifetime died and left him embittered and as lonely, as afraid of strangers, as suspicious of the press, as much a recluse and a man without a friend as he had always been.

Early in 1932 *le Crapouillot* one of the very few publications in France which, outside of *Humanité* and other radical organs, is not in control of the metal industry, was suppressed by the French police, who, *Crapouillot* claimed, acted under suggestion of the British authorities, because of an article by M. de Hauteclocque, "British Secret Service Secrets." The article dealt largely with the "provoking enigma, the English spy system" and its deputy on the Continent. "Lately," it continued, "this rôle has been attributed to Sir Basil Zaharoff, a high dignitary in the French Legion of Honour.

"This Zaharoff, this really unknown figure, this mystery man of Europe, has caused torrents of ink and even larger torrents of blood to flow, notably in the Greco-Turkish War in Anatolia. We should not mention him at the conclusion of this essay if the hazards of journalism had not revealed his obscure silhouette in an affair of great importance. In order that this affair may not be consigned to oblivion, we relate the following sequence of events as a help to future investigators. The subject is the steel cartel.

## ZAHAROFF, KING OF ARMAMENTS

"This cartel was formed in 1925 and 1926 by the metal industries of France, Belgium, Luxembourg, and Germany. A enterprises such as the petroleum, hydroelectric, chemical, artificial-silk industries hastened to join it. The European federation was becoming a living reality before it had been proclaimed in words.

"It seems that the English industrialists were not able, or not want, to join this cartel. The inevitable result was a severe economic war. The Franco-Belgian-Luxembourg metal industry pitted itself against the English Vickers-Maxim group animated by Sir Basil Zaharoff. Celanese, the English artificial silk (artificial silk is what munitions-factories manufacture in times of peace), became involved in a struggle with Tubize, the Belgian artificial silk. And there were many lesser conflicts, which nevertheless involved millions of pounds.

"The men behind the steel cartel were: Prince Radziwill; Loewenstein, who controlled the Tubize company of Belgium and the continental hydroelectric industry; and M. Mayrsh, a great Luxembourg metallurgist. There were, undoubtedly, other characters who left no trace in the correspondence exchanged between Prince Radziwill and M. Loewenstein. Now let us speak without drawing any conclusions, the following facts. First of all, Prince Radziwill was having a violent dispute with Sir Basil Zaharoff over the Société des Bains de Mer in Monte Carlo. Prince Radziwill, the chief stockholder in this company, had excluded Sir Basil from the board of directors. The earnings of the company run into the millions. Moreover, the geographical position of the principality of Monaco makes it a desirable place to be influential. Secondly, M. Loewenstein was fighting a battle with one of Sir Basil's friends. Now all three of these men behind the steel cartel died within a few months of each other.

"Prince Radziwill was killed by a poisonous inoculation administered by a woman who was recognized as being identified by certain police and political circles. This woman was arrested, released, rearrested, and again set free through political intervention. When she was arrested for the third time she tried to commit suicide, and after she was condemned she spent her

in prison as agreeably as possible in the Saint-Lazare Infirmary. M. Loewenstein fell from an airplane into the English Channel, but his brother-in-law's accusations of murder have had no consequences. M. Mayrishi died in an automobile accident. The steel cartel has died, too. If you want documents on the projected European Federation, open the dusty volumes of the League of Nations."

The octogenarian mystery man of Europe spends his retirement on the Riviera in almost complete silence. To the report that Samuel Insull of Chicago and the Mid-Continent Utilities system, intended to engage in Greek industrial affairs with Zaharoff aid, he refused a comment. A Lithuanian named Hyman Barnett Zaharoff, living in England, entered suit, claiming he was a legitimate son of the armament man, born of a secret marriage with a Russian girl, Haia Elka Karollinsky. There was no comment. To the report that he was dying, Sir Basil in December, 1933, made his first and only statement to journalists: "You can quote me as saying that I shall not die to please the press. I am sincerely annoyed by all these reports of my illness. Just now I am feeling fine and enjoying my food. One day I shall die, but not to please the press."

Of the career of the world's greatest armament man the best comment is that of H. G. Wells, in *The Work, Wealth and Happiness of Mankind*. "Indisputably this man," he says of Sir Basil Zaharoff, "has spent a large part of his life in the equipment and promotion of human slaughter. And it is unjust and absurd to blame him for doing so. It is so cheap and easy for the sentimental pacifists to be indignant about him, but all of us are involved in the complex of processes that carried him to wealth and all of us have a share in his responsibility. Circumstances beyond his control built up his ideology. . . . The organization of killing is inherent in our accepted ideology.

"The picture of an Anatolian Greek, overwhelmed by his riches, adorned with the highest honours France, Britain, and Oxford can bestow, and amusing himself by running a gambling-palace in his declining years, displayed against a background of innumerable millions of men maimed, tortured, scalded, mutilated, and killed, may be an effective indictment of our political traditions, but in no sense is it a personal condemnation. Millions of

his contemporaries would have played the same game had they thought of it and known how. There was nothing in their persons to prevent it. If anything is wrong it is in the educational influences and in the political, economic, and financial opportunities that evoked those persons."

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## Chapter Fifteen

### The Men Who Win Every War

#### PART II.—THE PRINCES OF THE BLOOD

AS ZAHAROFF has universally been awarded the title King of the Armament-makers, so the lesser merchants, inventors, and salesmen of death can be honoured with the titles Princes of the Blood. Many of them were and are Zaharoff's associates; the trade has permitted no rivalry. Almost without exception they are internationalists like Zaharoff, and like him they can say, "Where money is, there is my Fatherland."

The inventors are in a peculiar situation. Throughout history they have made the instruments of killing, sometimes with the hope they would end all wars, frequently with the patriotic desire to make their own country proof against attack, and almost always they have run into that stone wall which is the military mind. Wellington opposed the adoption of breech-loading rifles. Ludendorff fought Professor Fritz Haber, who invented poison gas. Ironclads, mechanization, submarines, torpedoes, the Gatling gun, Lewis gun, the Fokker airplane and other inventions have been refused by many countries and usually the inventors sold them abroad. If nations would adopt the inventions of their citizens and make them exclusive, one of the great accusations against the munitions-makers would fall; because when inventions are refused, financiers step in and companies are formed and salesmen of death take the highroads of the world, selling the weapons, intriguing to get orders, setting nation against nation, starting armament races and all the evils which Geneva has made known but cannot end.

The man who invented the machine gun, who revolutionized warfare, who made it "modern," who put it on a mass-production or wholesale-slaughter basis, was a simple Yankee with kindly intentions. Hiram Maxim was born February 5, 1840, in Sangerville, Maine, and at the age of fourteen, apprenticed to Daniel Flint, a carriage maker and repairer, he invented an automatic

mouse-trap. Emerson to the contrary, the world did not beat a path to his shop, but Hi was recognized as capable.

His next important contribution to the welfare of the world was an improvement on the Drake automatic gas-machine which his uncle, Levi Stevens, was making at his engineering-works. From here young Maxim drifted to New York, and while working for the Novelty Iron Works and Shipbuilding Company he improved locomotive headlights and other contrivances, and obtained patents.

From now on the inventor's rise was rapid. The Maxim Gas Machinery Company was formed in New York and the Maxim Weston Company in London to control English patents. In 1881 Hiram Maxim went to Paris to attend the electrical exposition and there received the Legion of Honour. At this time he made the first drawings for an automatic gun. Designs for aerial torpedoes, flying-machines, and other weapons followed. In 1900 he became a naturalized British subject and Queen Victoria knighted him the next year.

Sir Hiram Maxim was a very modest man. Of the famous Vienna Zaharoff incident he tells the following story in his autobiography:

" . . . Again I crossed that dreadful Channel and went to Vienna. The gun was again tried at the Arsenal, and the agent of the other gun was on hand like a sore finger;—not on the grounds, however, but looking through the gate with a lot of newspaper reporters. When we came to try the gun with the real Austrian cartridge, everyone was amazed at the pace, and it was on this occasion that I cut out the letters F. J. on a new target at short range. Many high officials came to see the gun, including the Emperor himself, and everyone was delighted.

"When the trials were over the agent of the other gun sought an interview with the leading officers. He spoke all languages and was a very plausible talker. One of the officers reported the conversation to me in English in about these words:

" 'Do you know who Maxim is? I will tell you. He is a Yankee, and probably the cleverest mechanic on earth today. By trade he is a philosophical instrument-maker. He is the only man in the world that can make one of these guns and make it work; everything has to be of the utmost accuracy—one-hundredth part

of a millimetre here or there and it will not work—all the springs have to be of an exact tension. Suppose, now, that you want a quantity of these guns, where are you going to get them, as there is only one man in the world that can make them? Maxim goes into the shop and actually makes these guns with his own hands, and, of course, the supply is limited. Then again, if even you could get them, do you expect that you could get an army of Boston philosophical instrument-makers to work them?"

"At the time that these last tests were taking place, the newspapermen looking through the gate asked this agent what gun was being tested, and he said, 'The Nordenfeldt; it has beaten all others,' and this was printed in the Vienna papers, quoted in others, and circulated all over the world.

"On the next occasion of my going to Vienna I purchased a comic paper on the street. The illustration on the front page was a representation of myself firing a gun that was made in the shape of a coffin, marking out F. J. on the target, with Death standing at my back and holding a crown over my head."

After the Nordenfeldt amalgamation, Maxim continued to travel in Europe and the Far East, demonstrating his machine gun. In 1888 he obtained patents for nitro-glycerine powder, but the Nobel trust sued the British government for making cordite and lost the case, Sir Richard Webster saying in his decision, "Hiram Maxim was the first to combine nitro-glycerine and true guncotton in a smokeless powder." In the records of the British Patent Office it is stated that "Sir Hiram Maxim appears to us unquestionably to be the inventor of the class of powder used in the United States at the present moment."

In his old age Sir Hiram invented a glass inhaler for bronchitis and records that friends said he was ruining his reputation and "prostituting my talents on quack nostrums." His comment was: "It will be seen that it is a very creditable thing to invent a killing machine, and nothing less than a disgrace to invent an apparatus to prevent human suffering. . . . I suppose I shall have to stand the disgrace which is said to be sufficiently great to wipe out all the credit that I might have had for inventing killing machines."

He died at Streatham, November 24, 1916, when the Maxim

gun had justified all that was hoped for it as a killer of millions. He left only £33,000, but the company made millions of pounds.

## EUGÈNE SCHNEIDER

The Schneiders came to Creusot from the Saare. The town was known for its foundry, in which Louis XVI had been financially interested and which had supplied Napoleon with guns. In 1826 two Englishmen, Manby and Wilson, bought the works from its French owners for a million francs and in 1834 they were bankrupt. Joseph-Eugène and Adolph Schneider took possession and later built the first locomotives in France. Adolph died in 1845 and Joseph-Eugène went into politics and became President of the Chamber of Deputies in 1865.

Early in 1870 the first labour troubles occurred. Joseph-Eugène called in troops to quell the strikers. In the war of 1870 Le Creusot supplied 25 field batteries, 16 heavy guns and 250 other cannon, mostly bronze. Two years later the Republic advised Schneider to study the steel gun, and in 1875, when he died, he had orders for 60 batteries of the soon-to-be-famous 75's and 10 batteries of 90's.

As a politician Schneider's most important achievement was a law permitting him freedom in the sale of armaments abroad.

Henri Schneider perfected the 75 and in 1895 created the new type which played a great part in the World War. He sold this gun to twenty-two nations. Between 1885 and 1890 Schneiders produced 10,000 cannon; between 1890 and 1914, 34,560 cannon, of which a few more than half were sold abroad.

Henri died in 1898 and was succeeded by his son, Charles-Prosper-Eugène, the present head. Under modern industrialism the worst strikes in French history occurred, but Eugène has been merciless in dealing with his workingmen, and with the widows and orphans of the men killed by troops which have always been sent down by obliging governments. As a contrary result Le Creusot has been a stronghold of open socialism and secret communism. Sometimes Schneider's millions have been able to gain the seat in the Chamber for his own candidate. No labour leader, organizer, socialist or radical can now find employment with Schneider.

Eugène Schneider at the age of thirty in 1898 went to the Chamber of Deputies for the first time.

During the war the profits were enormous—estimated at 300,000,000 (gold) francs a month—and the pay of workmen was small. Even today there are thousands who earn from ten to twenty-five (inflation) francs a day. If ever the company store system has been exploited to the extreme, it is at Le Creusot, where workingmen are forced to buy everything, including gas and electricity, from the Schneiders. In numerous booklets the Schneiders lay claim to humanitarian works, hospitals, and charities, and list the company stores among their good deeds, but the employees complain of excessive charges.

Altogether Eugène Schneider owns or controls more than two hundred commercial enterprises. He is one of the world's leading anti-bolshevists.

#### CHARLES M. SCHWAB

The story of the American Krupp should have been written by Horatio Alger: "From dry-goods clerk at seven dollars a week to head of the Bethlehem Steel Company."

Charles M. Schwab began life humbly, but he had a great ideal: to make steel, to control steel, to become the ruler of steel in America as Krupp was in Germany. This ideal was born when he was a workman in the Thompson Steel Company in Pittsburgh, and drove him upwards. He was foreman, superintendent, and at the age of thirty-six president of the United States Steel Corporation. When he obtained exclusive rights on German patents for making steel structural shapes as easily as rails are rolled, he got control of the Bethlehem Company in 1908 and made it the American Krupps.

When the United States in 1914 permitted the making of loans and the shipment of arms to the warring nations of Europe, Britain's financial agent, the House of Morgan, placed orders for hundreds of millions of dollars with Schwab. "German agents," wrote Edwin Wildman in 1916, "were repeatedly reported to have secured control of this American Krupp plant, and but for the grip which this steel master, Schwab, held on the property, they might have succeeded. The German government has approached Schwab again and again, to purchase the plant. Figures

running into a score of millions were named. Schwab could get \$100,000,000 today from Germany for his steel plant. And if he sold, the Germans would close it up, and so block the chief source of arms and ammunition for the Allies.

"Naturally, Schwab stands today in the center of the spotlight of American vision. He is the Krupp, the Schneider of American potential defence. He is building the weapons, the ships, the mines, the steel and arms for the world. Therefore his personality, his ambition, his private character are vital to policies of American preparedness when the war in Europe is over, because for the first time in the history of this country we are actually prepared to make ammunition and ships necessary to defend us against foreign invasion."

With the noble ideal of making the world safe for democracy announced by Wilson, and the commercial ideal of making the seas safe for munitions transport, unannounced by the armament-makers, the United States entered the war in 1917, and business in Bethlehem soared into the billions. Mr. Schwab said: "I seek the approval of my fellow men; to give more than I get."

#### KRUPP

In 1842 a German patriot named Alfred Krupp perfected a rifle which the German government promptly refused. He sold it to France. Business is business, always the keynote of the armament industry.

Five years later the first gun made of crucible steel was produced in Essen and opened a world-wide field for the wholesale production of armaments. In the Franco-Prussian war German artillery proved greatly superior to French from Le Creusot, made of cast-iron and bronze. Kruppism began.

Saïd Pasha, Khedive of Egypt, gave the Krupps their first large orders in the years 1856 to 1859, and other countries followed. When the World War started the Krupps with their collieries, iron mines, foundries, factories, and dockyards at Kiel employed 5,000 engineers, 60,000 workmen, and supported 250,000 persons.

Several times in its history the House of Krupp was in financial difficulties and was saved by the banks. But this was made possible because it had as its first patron the Kaiser.

When Bismarck conquered Austria he planned the war with France and von Moltke made a three year armament program for the Krupp works which he asked the banks to finance. It was a bit too much for them. At this moment Wilhelm entered the armament business. He lent Krupp 15,000,000 marks for expansion and became a partner in 1867. Three years later he was proclaimed Emperor of Germany in the historic scene at Versailles. When he died he left his stock to his son, and the war found his grandson, Kaiser Wilhelm II, the principal Krupp shareholder.

There was no secret in this relationship. In 1912, celebrating the centenary of the foundation of the establishment, the Kaiser in an oration referred to the Krupps as his co-partners in German expansion. Every battleship Germany built, every gun added to its forces, paid the Kaiser as well as the Krupps a cash dividend.

Officers of the army and navy were frequently bribed by the Krupps or offered important positions in the enterprise. No one hesitated to accept, because "one is still in service of the Emperor." Krupp always found employment at high salaries for those government officials who induced the Reichstag to vote large credits or who ordered vast numbers of guns. When Ehrhardt invented a superior and cheaper gun, Krupp induced the War Department to boycott it.

Under the Versailles Treaty the Allies destroyed 60,000 tons of war machinery at Essen, also arms, furnaces, and munitions valued at 104,000,000 gold marks.

The growth of Hitlerism found the Krupps fearful of their existence because the National Socialists in their original program, based on Mussolini's likewise original program, called for socialization of industry. But Krupp, Thyssen, and other owners of Germany followed in the footsteps of the Italian industrialists and subsidized the Fascist movement. Dr. Gustav Krupp von Bohlen und Halbach, husband of the Baroness Bertha Krupp, was the first German industrialist to place his plant under the auspices of the Fascist state. As a result, Hitler ousted the so-called Socialists from the Nazi departments of industry and economics and appointed three men to rule German industry—Krupp von Bohlen, Fritz Thyssen, and Carl Friederich von Siemens, his three largest financial backers. Krupp made propa-

ganda speeches for Hitlerism. In one he said that his great-grandfather, Brigadier-General Henry Bohlen of Philadelphia, fought in the Civil War. "I appeal," he said, "for American sympathetic understanding of Germany."

#### HAYWARD AUGUSTUS HARVEY

As revolutionary as Maxim's machine gun was the armour plate invented by Hayward Augustus Harvey, son of General Thomas William Harvey, of New York City. He was born in 1824, prepared to enter Yale, but, owing to financial reverses, went instead to the family factory at Poughkeepsie, where he learned mechanical engineering and draughtsmanship. His first inventions were a corrugated blind staple and a hay-cutter. In 1865 he persuaded capitalists to help him form the Continental Screw Company, and in 1886 he organized the Harvey Steel Company to develop a new process of making fine steel from low-grade steel and iron. This process later became known throughout the world as Harveyizing or Harveying.

Knowing that he had done something which would make warships proof against all existing guns, Harvey patriotically went to Washington and offered his process to the government. After numerous tests it was adopted for all warships and the battleship *Maine* was the first craft completely protected by Harvey armour. The government stood all the expenses of experimentation.

With this credential Harvey found no difficulty in selling his invention to foreign countries. Had he given or sold it only to his own government, the United States would have been supreme at sea. But there was money to be made. By 1896 every navy was completely Harveyized: ten European, three South American, and two Asiatic nations had ships protected with the Harvey plate, and England led with twenty-two battleships and forty-five cruisers. Opposition came from Schneider, who had a patent of his own, but after long negotiation a company was formed known as the Société des Procédés Harvey, which granted licenses to the St.-Chamond, the Chatillon et Commentry and the Marrel Frères works. Schneider finally succumbed. In 1901 the Harvey trust was formed which united the world in an armour-plate ring.



## WILLIAM ARMSTRONG

William Armstrong is the only armament-maker who presented his invention to his country, made no profit out of it, and did not immediately sell it to other nations.

He studied law, practised in Newcastle (England), and in his spare time made many inventions. In 1847 he persuaded relatives to found a Tyneside firm to manufacture his hydraulic cranes.

The Crimean War interested him in the French 18-pounder. He thought this gun too heavy and inaccurate and invented a substitute which the War Department found fifty-seven times as accurate. William Armstrong became the sensation of England overnight. The government told him he could make his own terms, but the inventor refused a royal sum and made the gun a free gift to the nation.

He was knighted for this act. Later a company was formed which for years at Elswick-on-Tyne made guns for the country. Eventually it reverted to the Armstrongs. In 1897 it combined with the Manchester firm of Whitworth, famous for its machinery and tools. It became one of the largest engineering concerns in the world.

During the World War it supplied a third of all British guns, built forty-seven warships, twenty-two merchant ships, outfitted sixty-two other war-vessels, and employed 78,000 men. Elswick became known as "The Mother of Navies," supplying warships for Japan, China, Argentina, Brazil, Chile, Holland, Italy, Portugal, Russia, Spain, Austria, the United States, Rumania, Norway, and Turkey as well as Britain.

In 1927 the Sir W. H. Armstrong, Whitworth, Ltd., works were joined to Vickers, Ltd. At the extraordinary meeting the Hon. Sir Herbert Lawrence, G.C.B., chairman, announcing the amalgamation, said "Vickers and Armstrong depend very largely on armament orders to occupy their works on a profit-earning basis, but since the war such orders have been insufficient to keep the plant of the two companies fully occupied or to yield a satisfactory return to the shareholders." He believed it was of national importance as well as in the interests of shareholders "that

the capacity of the works to undertake armament work of the largest character should be maintained."

BARON HACHIRUMON MITSUI

In Japan armaments are controlled by the man who also controls about 65 per cent of the industry of the country. The royal family has a large interest in the various enterprises known as the Mitsui Consortium.

In 1602 or thereabouts the ancient Tobuke Mitsui established the first smithy of an armourer and Baron Hachirumon Mitsui, the present uncrowned ruler of Japan, is the direct descendant. He is the largest manufacturer of armaments in the Far East, the largest producer of silk, and is said to be the richest man in the world. In Japan he is called the King of Armament-makers, the Emperor of Steel, the Cæsar of Petroleum, the Dictator of Airplanes, the Demigod of the Banking System. He owns or controls almost all the mines, factories, steamships, newspapers, and commercial enterprises of the first order in Japan, and extends his empire into Korea, China, Indo-China, India, Vladivostok, Siberia, Manchuria, the Philippines, and Hawaii.

In common with Zaharoff, and the British and American oil kings, the Japanese colleague has been accused of financing "popular" rebellions, Fascist uprisings, international intrigues, and other acts of violence necessitating the action of army or navy of his country. The conquest of Manchuria, which is to make Japan independent of foreign countries for its wartime needs in coal and steel, is popularly said to have been instigated by Mitsui. There is no question of the fact the Mitsui Consortium was the greatest winner of the first Sino-Japanese War. After the Russo-Japanese War Mitsui was the hidden dictator of the peace terms. The Tokio foreign office was merely his instrument. The Japanese government insisted that its troops remain in North Sakhalien until the oil deposits were leased to Japanese enterprises, and when Russia was forced to agree, the Japanese government gave the oil lands to its colleague and part owner, the Mitsui group.

Baron Hachirumon Mitsui today is the chief exponent of the "Asia for the Japanese" policy, which the Japanese call the Monroe Doctrine of the East. If Japan is a menace to the peace

of the world, if a war between Japan and other nations is inevitable, the men responsible will be the Junkers of the Far East, and the leading Junker is the armament-maker, Mitsui.

#### ALFRED NOBEL

In 1876 Alfred Nobel said to the Countess Kinski: "I should like to invent some material or some machine so terrible in its destructive effect on huge masses of people that war would henceforth be unthinkable." In 1892 he said to the same lady who under the name Bertha von Suttner had written *Lay Down Your Arms*: "My factories stand a better chance to end war than your peace congresses. On the day when two army corps annihilate each other in a single second, all civilized nations will shudder away from war and disband their troops."

Alfred Nobel did not live to see the World War destroy more than ten million lives on the battlefield and as many more behind the lines, nor did he live to hear the inventors of poison gas say that in the next war as many as ten million lives will be destroyed with unimaginable horror in a few days and the result will be the end of war.

Alfred Nobel was a Social-Democrat and a pacifist. He was born in Stockholm, October 21, 1833, a few days after his father, an architect, engineer, and inventor, had filed a petition in bankruptcy. The father then tried his luck in Finland and St. Petersburg, and Alfred, after travelling several years, went to work at the factory in Russia. In 1863 he began experiments with nitroglycerine, receiving a patent in October and another in July, 1864. There was a slight disagreement, because Immanuel Nobel, the father, thought himself entitled to Alfred's patent. (The Letterstedt Prize of the Swedish Academy of Science was awarded "to the former for his services in connection with the use of nitroglycerine as an explosive in general, and to the latter, more particularly for the discovery of dynamite.")

Alfred Nobel spent a great deal of his time in the United States. He first worked with John Ericsson in naval construction. After the explosion of a Swedish nitro-glycerine factory which took five lives in 1864, Nobel returned to America and built a plant in New York City to manufacture dynamite. In April, 1866, New York was shaken by an explosion which killed forty-

seven men and which impressed the population of that day as Black Tom did in 1916. Other disasters occurred. But Nobel obtained financial assistance in Germany and established the *Dynamit Aktien Gesellschaft* vormal's Alfred Nobel und Co. in Hamburg. Dynamite was at first called "Nobel's Safety Powder." Germany began supplying the world, and the world began building factories. Combinations and trusts were incorporated. In 1890 and 1891 the founder resigned from all his companies.

Alfred Nobel was a brilliant man. As a youth he wrote poetry much under the influence of Shelley, exhibiting the same impractical idealism, the same idealistic pacifism and radicalism. In his leisure he resumed his literary work and published a play just before he died in San Remo, December 10, 1896.

He was for a long time Europe's first pacifist; science would, make war impossible, he said, and he was more of a scientist than an explosives-maker. He had the idea of a league of nations, at least a league of European nations, when in 1896 he wrote to Bertha von Suttner about his plan for the Nobel Peace Prize:

"I should like to allot part of my fortune to the formation of a prize fund to be distributed in every period of five years (we may say six times, for if we failed at the end of thirty years in reforming the present system we shall inevitably revert to barbarism). This prize would be awarded to the man or the woman who had done most to advance the idea of general peace in Europe. I do not refer to disarmament, which can be achieved only by very slow degrees. I do not even necessarily refer to compulsory arbitration between the nations; but what I have in view is that we should soon achieve the result—undoubtedly a practical one—that all states should bind themselves absolutely to take action against the first aggressor. Wars will then become impossible, and we should succeed in compelling even the most quarrelsome state either to have recourse to a tribunal or to remain quiet. If the Triple Alliance, instead of comprising three states, were to secure the adherence of all, secular peace would be ensured for the world."

A few days before his death Nobel expressed his social credo as follows: "I am an out-and-out Social-Democrat, although my views are moderate. In particular I regard large inherited wealth as a misfortune which merely serves to dull men's faculties. A

man who possesses great wealth should therefore allow only a small portion to descend to his relatives. Even if he have children I consider it a mistake to hand over to them considerable sums of money beyond what is necessary for their education. To do so merely encourages laziness and impedes the healthy development of the individual's capacity to make an independent position for himself."

Nobel was the only armament-maker who used the profits of bloodshed for peace.

Krupp and Zaharoff gave Bernard Shaw the character of Undershaft, who in *Major Barbara* defines the true faith of the armourer:

To give arms to all men who offer an honest price for them, without respect of persons or principles; to aristocrat and republican, to Nihilist and Tsar, to Capitalist and Socialist, to Protestant and Catholic, to burglar and policeman, to black man, white man, and yellow man, to all sorts and conditions, all nationalities, all faiths, all follies, all causes and all crimes. The first Undershaft wrote up in his shop IF GOD GAVE THE HAND, LET NOT MAN WITH-HOLD THE SWORD. The second wrote up, ALL HAVE THE RIGHT TO FIGHT: NONE HAVE THE RIGHT TO JUDGE. The third wrote up TO MAN THE WEAPON: TO HEAVEN THE VICTORY. The fourth had no literary turn; so he did not write up anything; but he sold cannon to Napoleon under the nose of George the Third. The fifth wrote up PEACE SHALL NOT PREVAIL SAVE WITH A SWORD IN HER HAND. The sixth, my master, was the best of all. He wrote up NOTHING IS EVER DONE IN THIS WORLD UNTIL MEN ARE PREPARED TO KILL ONE ANOTHER IF IT IS NOT DONE. After that, there was nothing left for the seventh to say. So he wrote up, simply, UNASHAMED.

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## Chapter Sixteen

### Munition-makers Foment War Scares

THE profits of fear have often been greater than the profits of war. The armament-makers are accused by the 1921 report of the League of Nations of fomenting war scares: the war scares have always led to heavy armament orders over long periods of years in which guns and ships were built at great profits, whereas in time of actual fighting governments frequently have fixed prices or levied extraordinary taxes which have curtailed dividends.

Fear, war hysteria, panics, have been either created or exploited by the armament ring in all countries. "Four hundred and eighty million people in Europe's thirty-one different countries," reported ex-war-correspondent Raymond Carroll recently, "go to bed each night wondering if they will awaken next day to another carnival of butchery." It is good business to continue this international psychosis. Willingly or unwillingly, those patriots and that press not subsidized by the armament business frequently join its propagandists and agents in alarming the people of the world.

The manufacture of panics is a fairly modern development. The armament industry itself is less than a hundred years old. Its activity as a war-maker is of more recent date. No one, for instance, could accuse the warship ring of participation in the Samoa affair. For years there had been antagonism between Britain, Germany, and the United States; missionaries and militarists were active in Samoa, there was continual strife, and in 1889 the three interested nations sent warships. A rumour came to the press that the Germans had torpedoed an American ship. Harry Thurston Peck, contemporary historian, records that "a wave of excitement swept over the country . . . the tone of the press was one of intense hostility to Germany. The government at Washington began preparing for any emergency that might arise. All the vessels of the Pacific squadron were notified to be in readiness." Eventually the news arrived that a hurricane had

destroyed the warships of all nations indiscriminately, and the scare was over.

On the other hand, there is the undeniable fact that the war-ship-builders of a decade later maliciously created the war scare between Britain and Germany.

For a century the recurrent panics in England were caused by the fear of a landing by foreign troops, just as in California the good citizens have been alarmed by the possibility a Japanese fleet might shell San Francisco and Los Angeles. In Germany it was the cry of encirclement. For seventeen years the Bolshevik bugaboo has kept Europe restless, making war on Russia, building the largest armies and navies in history to combat the Red danger.

What has been the rôle of the armament industry in this century of fear and trembling?

Many years ago Richard Cobden published a little book called *The Three Panics*, and just before the war F. W. Hirst, the British economist, completed the story with his book *The Six Panics*. All the references are to Britain. A volume entitled *The Hundred Panics* could easily be written if German, French, Russian, Balkan, Japanese, and American war panics were included and the history of armament-makers' intrigues brought up to the 1930's.

The first British panic is dated 1847. In 1845 Palmerston had declared (falsely) that the French fleet equalled the British. The Duke of Wellington had written a letter concluding ". . . and I say that excepting immediately under the fire of Dover Castle, there is not a spot on the coast, from the North Foreland to Selsey Bill, on which infantry might not be thrown on shore at any time or tide with any wind and in any weather." This letter was published in the *Times* unauthorizedly. The result was the first British "invasion panic." It was a press panic, artificially created by the newspapers.

A big armaments campaign resulted. On the 18th of February, 1848, Parliament proposed an increase in the income tax from 7d. to 1/- in the pound, but owing to protests and as a result of the panic receding, the budget was withdrawn. Addressing Parliament in 1849, Cobden said:

"At the end of 1847 we had a panic among us, and we were

then persuaded by Mr. Pigou, the gunpowder-maker, that the French were actually coming to attack us." The armament-makers, it will be noted, were at their game almost a hundred years ago.

The second invasion panic came in 1851, when Louis Napoleon was President of France. It, too, was a newspaper panic. Palmerston told the House that the invention of steam had bridged the English Channel and that the French could now land an army. All the conservative clubs, all the half-pay officers and the newspapers united for bigger armaments. When Louis was elected Emperor the memories of Napoleon's threats of sixty years before were revived, and Palmerston's militia bill, minus an income tax increase, was passed. Said Cobden:

"The alarm was constantly stimulated by startling paragraphs in the newspapers. One day the French army at Rome was reported as chafing and dissatisfied because it could not share in the invasion of England and the sack of London; the next, there were whispered revelations of a secret plan, divulged by General Changarnier, for invading England and seizing the metropolis (which he publicly contradicted); then we were told of a plot for securing a naval station in the West Indies . . .; and then came the old story of French vessels being seen taking soundings in our waters, though, as everybody knows, the most perfect charts of the Channel, published under the authority of the Admiralty, may be purchased for a few shillings."

(In 1933 an attempt to start a war panic was made by certain American newspapers, notably Californian, with the report that Japanese ships were taking soundings off southern California.)

At this time, it may be noted, finance and big business were opposed to a war. Records Mr. Hirst:

"The *Times*, then at the zenith of its glory, and far more powerful than all the other London papers put together, took a prominent part in misleading the public; but at length its virulent attacks on Napoleon produced uneasiness among the merchants and bankers of the City, who convened a meeting 'to express their deep concern at witnessing the endeavours continually made to create and perpetuate feelings of mistrust, ill-will, and hostility between the inhabitants of the two great nations of England and France.' They even dispatched a deputation



of leading citizens to carry a friendly address to the French Emperor. A dramatic turn of events converted the whole fashionable world of England from a French panic to a French alliance. . . . So ended the second panic."

The third panic, 1859-1861, is incidentally a brilliant example of the military mind which throughout the course of recorded history has almost always rejected new military inventions and refused to accept radical strategic plans. In 1858 the British navy estimates were passed "with the pig-headed determination of the Admiralty, influenced perhaps by the vested interests, to continue expending money on the construction of a type (wooden three-deckers) which was already superseded by the invention of iron armour."

Admiral Napier, Sir John Pakington, first lord of the Admiralty, and other notables, publicly but not quite truthfully informed Britain it had lost the supremacy of the seas. Leading statesmen compared the French and British navies; they had ships afloat which were not to be launched until the following year; they exaggerated the number of "enemy" craft; in gunboats, for example, they gave France parity, whereas the ratio was 162 to 28.

In the midst of this panic Cobden published his little book which "made all reasonable men ashamed of the scare." Lord Evesley credited it with not only the suppression of the panic, but with a resultant reduction in the expansion of armaments until 1884. During Gladstone's second term as Chancellor of the Exchequer military expenditures were reduced and the burden of taxation eased. Gladstone said: "We have no adequate idea of the predisposing power which an immense series of measures of preparation for war has in actually begetting war." Cobden, says Hirst, proposed reciprocity in adjusting naval forces with France instead of "that insane competition in armaments which threatens civilization with bankruptcy and piles up debts and taxes for the sole benefit of the manufacturer of war material."

The fourth panic was largely the work of W. T. Stead. The Franco-Prussian War had ended the danger from France, but Germany had become a great power. September 15, 1884, in the *Pall Mall Gazette*, Stead launched a series of articles, "What Is the Truth about the Navy?" The big sensation, signed "A. F.,"

was that "Britain lies prostrate at the mercy of foreign powers." Arnold Forster provided the "facts," says Hirst, which were furnished by a naval officer who afterwards rose to confer far greater services to the armour-plate ring.

Gladstone raised the income tax from 5d. to 6d. A new but not too largely increased naval program was announced. The Annual Register remarked that "a few anti-alarmists or skeptics declared that the outcry in the newspapers was chiefly, if not wholly, the work of the professional advisers of the Admiralty, assisted in a great measure by the large shipbuilders, whose yards were empty and whose trade was temporarily at a standstill." The new program and the new taxation ended the panic.

The fifth was the dreadnought panic to which Chapter IV is devoted. If the failure of the military mind to seize on iron armour a few years before *Monitor* and *Merrimac* were to clash is to be placed to its discredit, how account for the eagerness with which the revolutionary dreadnought was accepted by all the world? The answer can be told by the armament-makers. None knew the ship was battleworthy, none knew it would make all the navies of the world obsolete, but all knew that it required an enormous addition in plate and meant not only a great increase in profits but years of good business if other nations could be induced to believe the propaganda. That is why the armament-makers' agents whispered around the world. The truth is that if the ship was really what the British builders claimed, it should have been kept a secret so that Britannia could continue to master the seven seas. If the *Dreadnought* failed to make other navies obsolete, there was no necessity for building it; if it succeeded, then the sale of this type to foreign countries was tantamount to treason.

It must also be noted that Japan having destroyed Russian rivalry at sea, and France for the time having refused to engage in a naval-armament race with Britain, the British armament-makers and the Admiralty were forced, in the words of Mr. Hirst, "to look around for another enemy; they found one in Germany, where Krupps' influence was powerfully assisted by our diplomacy, and by the sly threat of commerce destruction, supplied by our representatives at The Hague [peace conference]. The

death of Sir Henry Campbell-Bannerman also paved the way for the events of 1909. . . .

"One of the most ingenious methods adopted by the international armament firms, of which in April, 1913, Krupp had furnished the classical example, has been to spread false information as to what armament firms of other countries are doing or preparing to do. Just as an armament tout gets an order for one battleship at Buenos Aires, and then uses this to procure an order for two at Rio, so do the rival Admiralties and coöperating armament companies of western Europe laud the efficiency and magnify the power of the potential enemy in order to divert an ever larger stream of taxes into their own purse. From this point of view the invention of the dreadnought has been a perfect godsend, and I often think that those who started, and advertised, and perpetuated the delusion, with all its fashionable follies and puerile panics, have received very inadequate recognition. They ought to be crowned every year by the Armour Plate ring.

"If the secret information furnished for trade purposes by members of the Armour Plate ring, usually to the press, or the War Office, or Admiralty, but on special occasions to prominent politicians also (who swallowed greedily anything of this kind), could be revealed, a good deal of light might be thrown upon this debate."

The panic created by the warship manufacturers with their *Dreadnought* resulted in the new building program; once it had been authorized the country was calmed by its leaders. The Prime Minister reassured Britain there was no reason to fear, and "the old women of both sexes whose slumbers are at present being disturbed by fantastic visions of flotillas of German dreadnoughts sufficient to land an invading army on our shores, may dream without any apprehension for another twelve months." Even Winston Churchill, then president of the Board of Trade, wrote a letter to his Dundee constituents saying the German invasion scare was "a false, lying panic" started in the party interests of the Conservatives. Sir Edward Grey made a prophetic statement: "Half the national revenue of the great countries of Europe is being spent on what are, after all, preparations to kill each other. . . . Not in our generation, perhaps; but if it

goes on at the rate which it has recently increased, sooner or later I believe it will submerge civilization."

Summing up the fifth panic, Mr. Hirst gives this judgment: "The panic was a bogus panic . . . the Government and Opposition leaders deceived themselves and the House with bogus figures—in short, the whole thing was an imposture from beginning to end, of which a self-respecting country ought to be ashamed. In the first place the responsibility for the tables (on German armament) rests with Mr. McKenna. They were supplied by his own department—whether by means of spies, or by Krupp, or by British armament firms, or by the imagination of the Naval Intelligence Department, neither the public nor the House of Commons has ever been informed."

The cost was enormous. From 1901 to 1912 Britain spent £456,000,000, Germany £179,000,000, and Austria £38,000,000. Britain, which for the fiscal year 1907-08 spent £32,737,767, continued to raise its naval estimates and in 1912-13 spent more than £45,000,000, and Germany with £14,000,000 in 1907-08 increased to more than £22,000,000.

It was not until 1913 that complete sanity returned; Churchill and Tirpitz reached an agreement on the ratio of dreadnought-building. It was to be 8 to 5.

The naval race having been settled, the panicmongers turned to airplanes. When Bleriot had flown across the Channel the cry was raised that the airplane had laid England open to invasion and only an air fleet superior to that of the nations of the Continent combined would insure safety. Northcliffe was the chief scaremonger. The *Daily Mail* and the Navy League called meetings in the Mansion House for the purpose of influencing the government to build a fleet of zeppelins. In 1913 numerous newspapers led by the *Mail* started a panic by reporting false news.

In February mysterious airships were reported flying the east coast at night, using searchlights. After several days of rumours the *Daily Mail* declared, "It is now established beyond all question that the airships of some foreign power, presumably Germany, are making regular and systematic flights over this country." The *Whitby Gazette* had a headline "Northeast Coast Surveyed Nightly by Dirigibles." Thousands of persons began

seeing things and reporting "facts." It was the old case of Mark Twain's stolen white elephant, and the recent Loch Ness monster.

Despite the fact that fire balloons were found on the moor, despite German denials and failure of the government to confirm the rumours, the *Daily Mail*, February 25th, began a campaign for "a large provision for dirigibles in the coming estimates."

Reporting the French war budget in 1907, M. Messimy referred to the 1905 war scare, when the Kaiser obtained the resignation of Delcassé. The press at that time thought war imminent and uttered the cry of danger, and in Germany and France huge ammunition orders were given. After the Algeciras Conference and despite the return of peace, War Minister Berteau ordered an additional \$10,000,000 worth of munitions, and in December, when Germany recognized French predominance in Morocco, M. Etienne, the new War Minister, without consulting Parliament, ordered munitions and ordnance for an additional \$20,000,000. The Société des Batignolles offered to make caissons for 1,000 francs less than Schneider, but Schneider, friend of Etienne, got the contract, making an additional profit of some \$800,000. Interpellated, the War Department explained that haste was necessary—but this was obviously doubtful, as the contract gave two years for delivery. In short, thanks to the war scare the armament-makers put over deals for \$45,000,000 about which the public, being hysterical, was not concerned, and the Chamber was not consulted.

Writing in June, 1914, Professor Delaisi shows that the men of 1905 were again in power. They had been Etienne, Minister of War; Poincaré, Minister of Finance; Pierre Cochery, president of the Budget Committee; Pierre Baudin, Chairman of Committees, and Klotz, chairman of the Committee of the War Budget. June, 1914, found Etienne again War Minister; Baudin, Minister of the Navy; Klotz, Minister of the Interior; Cochery, president of the Banque National de Crédit; and Poincaré, President of the Republic. "One may fairly ask," Delaisi said, "whether we are not now witnessing a repetition of the same tragi-comedy. . . . Our press is furiously denouncing 'German provocations' and proclaiming that the 'decisive moment' has arrived. We have the same scenario over again. Even the actors

have not changed. . . . The same men, the same situation, the same method. Only the appetites have increased. Before six months are over we shall realise that we are the victims of the same bluff." In one month, not six, the "bluff" had become a world tragedy.

Although the whole world well remembers the Bolshevik scare of the first years following the Armistice, renewed in Italy later by Mussolini and used as an excuse only recently by Hitler, few persons know the part the armament-makers played directing the emotions of hundreds of millions of people against Russia.

The plans of General von Hoffmann to lead a European army into Moscow were fostered by Arnold Rechberg, known as the German potash king, a great industrialist who was one of the sponsors of the steel cartel. Herr Rechberg lived in the Hotel Adlon which was headquarters for almost all the American and British newspaper correspondents from 1919 to 1928. Rechberg arranged the interviews between the press and the would-be generalissimo; it was he who explained who would supply the money, the men, and the munitions for the undertaking. Most of the press, including the present writer, gave world-wide distribution to the ideas of Rechberg and von Hoffmann; none then realized that the heaviest backers of the proposed invasion were the German and French armament-makers.

More open was the campaign against Russia which Eugène Schneider himself initiated in Europe and America. War with Russia would have been a godsend to the Creusot works. M. Schneider, as president of the French Economic Mission to the United States, frequently propagated the idea of armed intervention. Addressing the International Trade Conference in Atlantic City, October 23, 1919, this famous gun man said in part:

"Your invitation, gentlemen, and our presence here are the proof of our desire to continue, now peace has come, the good work begun in the war. . . .

"It must be acknowledged that wisdom is in peril and we are tempted to recall the fable told ages ago by Menenius Agrippa of the stomach and the members. . . . A new name has been bestowed on the malady from which it suffers: Bolshevism!

"Everyone knows what the word means. If, at certain times

and in certain places, an illusion was entertained that out of Bolshevism might be evolved a stable and prosperous regime, it is only too sure today that in its grip Russia is slowly dying. Nothing is more tragical than the death-throes of that gigantic body, convulsed by a sombre madness. When one thinks of the sacrifices made by the Russian people in the common cause, one cannot but feel immense pity. But it behooves us to know that Bolshevism is a social plague which at any cost must be prevented from spreading.

"Bolshevism is dangerous both directly and indirectly.

"Directly, since its leaders are striving at a methodical propaganda. Their avowed design is to set the world ablaze both so as to realize a theoretical program and because Bolshevism can prolong its existence only by spreading into other countries. So Lenin sends forth into the world numerous agents well equipped for their nefarious propaganda. It is not a whit exaggerating things to say that there exists at the present time a Bolshevik plot whose network covers the whole world.

"Indirectly, Bolshevism is no less dangerous. Initiated by a few Utopian but powerful minds, it furnishes a doctrine in which there is more often but the old instinct of anarchy. . . . The physical and moral disturbance succeeding the Armistice has singularly helped its spread. Thus has it gained Germany, Austria, Hungary, the rest of Europe, and thence the whole world. . . .

"Once again, they (the Allies) have felt the necessity of coöperation, the necessity of following a preconcerted plan now that new enemies, anarchy and the spirit of disorder, must be crushed as Germany was crushed. . . .

"In all our countries the elements of order are grouped against Bolshevism. In electoral contests the motto is: 'War against Bolshevism.' Unless cast into the monster's jaws, old Europe, which is thought to be moribund, will not allow herself to be devoured."

These words from the armament-maker were backed up with cannon. The reason the Bolsheviks now possess American rifles, Vickers machine guns, and French 75's is because they took them from Wrangel, Denikin, Koltchak, Judenitch, and the Allied expeditionary force in Archangel. The largest amount came from

the Crimea. They were the French guns which Schneider with the blessings of the French government had sent to the anti-Bolshevik generals operating there.

The Bolshevik scare was first used by the intelligence department of the American army just after the troops had moved into Coblenz, December 13, 1918. It did not take the American doughboys very long to find out that the Germans were human beings and not baby murderers as years of war propaganda had described them, and thousands began to regret they had gone to war. Headquarters, however, issued orders for drill and marches and the soldiers began to ask, what for. It was at this time that the war correspondents were called to the Coblenzerhof and told that Bolshevism was sweeping down upon France from Germany, and that the American army was the Bulwark of Civilization.

A few days later Foch invited the American press to visit him in the Armistice car, and after making his plea for the new frontier on the Rhine, the boundary demanded by the Comité des Forges which wanted to control the iron, steel, coal, and chemical works of Germany, he repeated the warning that Bolshevism was the common enemy and that France must remain a nation in arms to fight it.

For fifteen years Bolshevik and German war scares have alternated in the French press. They have been and remain the chief reasons for vast French armaments and refusal to listen to any peace conference which threatens "security."

The Treaty of Versailles gave Germany permission to build six cruisers, twelve destroyers, and twelve torpedo-boats. In 1933 the French warship-makers spread the alarm that Germany was again powerful at sea. The *Deutschland* had been launched. Germany's tonnage was 125,780 compared with France's 628,603. Of an alarmed Deputy Premier Daladier asked the number of ships of the *Deutschland* class. He replied there were three, one in service, one being tested, one on the ways. When Daladier replied that Germany was therefore more than halfway behind the building program permitted by treaty, there was a sensation in the Chamber. Nevertheless, in ordering construction of the super-cruiser *Dunkerque* the French admiralty defended itself by again pointing at the *Deutschland*.

When the Junkers built the G-38, *le Matin*, another of the



Tsar's money-takers, created an air scare: "Gigantic stride of the German airplane industry . . . the peril for France is evident. . . . Twenty Junkers today could launch on Paris eighty to a hundred thousand kilograms of incendiary bombs . . . deaf and blind are those who do not comprehend the peril. . . ." The Chamber voted 400,000,000 francs for anti-aircraft guns, and in 1929 Schneider-Creusot got an order for twenty anti-aircraft batteries, while the Paris and provincial airplane factories worked overtime.

In 1930 *le Matin* and *le Journal des Débats* joined in a campaign of alarm over the underground wall on the German border—what about the Belgian and the Swiss frontiers, they asked. Later, *le Matin*, with the voice of Admiral Docter, warned about the defencelessness of the 2,700-kilometre coast, 2,050 on the Atlantic, 650 on the Mediterranean. The 1931-32 budget provided 127,000,000 francs in addition to the billions already spent on fortifications. At Bordeaux, Havre, and Marseilles the Comité des Forges plants were put to work on the three seacoast defences—a large fleet, submarines, airplanes.

A modern and most effective series of war scares have been carried out in London, Paris, Lyons, Berlin, Munich, Tokio, Rome, Genoa, Prag, Warsaw, and other cities. They were intended to make the populations air-raid and gas-mask conscious. In many countries there are civilian air leagues heavily subsidized by the airplane-manufacturers who are the chief beneficiaries of the manœuvres. In Paris a gas-mask-maker has been publicly accused of manipulating a war-gas scare to drum up sales for an almost worthless contraption.

In Germany, where the government had no armed military planes, the private manufacturers supplied the means. The Luftschutz Verein in Munich and elsewhere announced that on a certain morning (in Munich it was 10.30 A.M., September 1, 1933) the city would be raided by enemy craft. A commercial plane disguised as a bomber was the first to appear. Traffic was halted. Brown-shirted storm troopers ordered the public to seek shelter. Then numerous (commercial) airplanes appeared and bombed the city with long paper banners weighted with small sand-bags on each of which was marked the kind of gas or

explosive it might have contained had it been real. The attack lasted five minutes. Brown-shirts in gas masks then appeared to give first aid.

In Berlin, in addition to a similar stage show, Minister of Aviation Hermann Goering ordered the press one day to announce that "mysterious foreign airplanes" had circulated over the city, dropping handbills in the Wilhelmstrasse. (Foreign journalists wrote that this was all a hoax.) "The incident shows," Goering told the public, "how unprotected Germany is in the air. Today it is handbills—tomorrow it may be bombs." Germany asked the League of Nations to permit the construction of a fleet of military planes "for police purposes."

The August, 1928, raid over London by 100 bombers of a nameless foe (France) was judged capable of "smothering" a quarter of a million persons. To some it taught the horrors of war; to the airplane-makers it brought a big order. In November, 1933, Prag reported that the airplane manoeuvres had spread such fear among the peasants who had no understanding of war games, that the inhabitants of one town dug permanent shelters in a cliff while other villagers barricaded their cellars with sand-bags and dug hiding-places for provisions. Profiting from the Vilna experience when many persons were injured by bags of straw used to represent bombs, the Warsaw raiders dropped only colored paper. However, tear-gas bombs were exploded in the streets where these papers fell, painfully injuring those who had failed to use masks, and in one instance there was a panic. In Tokio tear gas also was used.

By these scares the inhabitants of many capitals have been warned of future wars. The demand for gas-masks has increased enormously and the airplane-manufacturers have done unprecedented business.

The fear psychosis, it was noted by the military, has not helped pacifism alone, as had been feared; in all instances the patriotic nationalists, told that the plane and the gas represented an "enemy," joined the air leagues in demanding more airplanes, more gas, more guns, more munitions.

The recurrent Japanese war scare is not a Hearst proprietary, as many believe. The Kaiser, many years ago, and Mussolini in

1934, have remarked on the Yellow Peril, and Australia as well as the United States has listened to inflammatory warnings anent Japanese imperialism. On the other hand, thanks to the military and the clique which holds stock in the Mitsui armament works, and Baron Mitsui himself who likes to sell guns, and to the press which is largely under the control of these same elements, the Japanese in the past and in the present have been and are being treated to American war scares.

Public opinion, it has been pointed out, does not influence the government in Japan. The government, which for years has been a military dictatorship, controls the masses, and by policy prepares it for war with China, Russia, and eventually the United States. A recent example of a typical war scare is the spread of the rumour that America has made a secret treaty with China by which 835 battle airplanes and supplies costing \$40,000,000 will be shipped and instructors sent to China "for the protection of the Nine Power Treaty and a guarantee of territorial integrity."

Another rumour in Japan tells of a secret treaty with Mexico for a naval base at Magdalena Bay, Lower California. It is a corollary to the ancient rumour that the Japanese had a similar treaty.

Mr. Hearst's latest contribution to three decades of anti-Japanese attack was a recent page editorial, "Only Preparedness will prevent War." He said: ". . . when Japan takes strategic steps, preliminary to the occupation of the Philippines and Hawaii, and the prosecution of her long-contemplated war upon the United States, that is our American business; and this newspaper advises our government at Washington to take heed and prepare.

" . . . Japan . . . has driven a strategic wedge of Japanese dominion between the two American island possessions, the Philippines and the Hawaiian Islands.

"Japan's purpose is obviously to absorb both of these American possessions at the psychological time. . . .

"If our democracy continues to be as dull in defence as it has always been, the attack will find us unaware and unprepared, and as a consequence Japan may establish herself as the permanent dominant power of the Pacific, forbidding us, as defeated

Germany was forbidden, to operate certain classes of ships, or to compete with the victor in any way in its waters, and possibly compelling us to pay a great indemnity and to surrender to her some part of our Pacific coast mainland.

"Such disasters have been inflicted before by alert, aggressive military nations upon easy-going, indifferent pacifist nations whose government was neglectful, short-sighted, and incompetent. . . ."

In the past few months little war scares have appeared almost daily in the press. The present tension between Russia and Japan is responsible for many. The Russians published the Hishikari documents showing Japan's evil intentions in Siberia; the Japanese published reports that the American airplane-makers had contracted to develop Russian aviation; the flight of the U. S. navy planes to Hawaii was announced in Tokio as a provocation; the report that Japanese airplanes had surveyed a part of Siberia and had been shot down by Russians, although denied by both Foreign Offices, was a sensation calculated to arouse fear and hatred in both countries.

Even little Switzerland, now quite a large manufacturer of arms, has had its war scare. War Minister Rudolf Minger, asking for a military budget of 120,000,000 Swiss francs, instead of the yearly 92,600,000, said: "It has come to my knowledge that a German plan exists for the invasion of Switzerland. . . . What is disquieting is the small importance they attach to the Swiss army's powers of resistance. . . . It is high time for Switzerland to act."

In Brussels, Defence Minister Albert de Veze, the same day, asked for 750,000,000 francs for a two-year program of fortifying the Belgian-German and Belgian-Holland frontiers because of the information that the next German invasion would come through the Netherlands. An underground wall connecting the old forts is planned. The Cabinet has approved. The arrival of Hitler has made the Belgian nation nervous.

No war scare has ever resulted in peaceful proportionate disarmament.

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## Chapter Seventeen

### The Profits in War-making (American)

OW much money is there in the war business? Billions of dollars, billions of pounds, hundreds of billions of francs.

The war budgets of the seven leading nations, according to official figures, have been more than \$3,000,000,000 a year recently; between \$4,500,000,000 and \$5,000,000,000 for all nations according to Professor James T. Shotwell. In terms of the present Roosevelt dollar this would mean seven billions a year.

Not all of this amount goes to the armament-makers, but on the large part which does, the profit is enormous. It seems to be good business practice to overcharge a government, and governments have rarely made efforts to fix fair prices, in war and in peace. Profits usually are doubled and trebled on war orders. From 1920 to 1929 a tabulation of official figures shows \$37,500,000,000 spent on war preparations, of which \$8,250,000,000 went for arms, munitions, and implements on which the aforementioned profits were made. Since 1929 budgets have grown every year. It is no exaggeration to place \$60,000,000,000 (gold) as the price paid from Armistice Day to date (1934) for what the militarists call "insurance against war" and the anti-militarists "preparations which lead inevitably to war." The United States, Britain, Japan, France and other nations are spending between 60 and 75 per cent of their national budgets paying for past and future wars.

In the following pages there will be noted the names of the war lords who have made the billions in profits, before, during, and after the World War; the business men and businesses which supply materials other than armaments, which make the same huge profits and which have the same interest in war and war preparations; the scandals in profiteering which have invariably followed wars, and the plans to "take the profit out of war."

Before these facts and figures are presented a word must be said on a greatly disputed question. Does the present "set-up" or the industrial system, or "capitalism" or big business or international finance cause war? The followers of Karl Marx say so

emphatically. War is inherent in the capitalist's systems, they claim. Lenin made this statement frequently. Stalin said more recently, "War is necessary to the imperialists, for it is the only means of bringing about a redistribution of the world and its markets, of sources of raw materials, of spheres of influence, of capital." In proposing total disarmament in 1927 Litvinov told the League of Nations the Soviets adhere to the opinion they have always held, "that under the capitalist system no grounds exist for counting on the removal of the causes which give rise to armed conflicts. Militarism and big navies are the natural and essential consequences of the capitalist's system." More moderately Professor Laski of the University of London declares "the roots of war cannot be traced to any single habit; its main causes lie in the economic field." Professor Laski, however, believes that a socialist or communist state "might embark upon war with a patriotism more extravagant, a loyalty more profound . . . for the very fact that all citizens might share equally in the benefits expected. . . ."

The foregoing quotations come from "The Intelligent Man's Way to Prevent War" which Leonard Wolff has edited. All the contributors are men of intelligence, men of peace. Yet in this same volume there is a denial of the Marxian thesis. Sir Norman Angell, who in *The Great Illusion* had said that the capitalists did not want wars, that if certain capitalists encouraged wars they profited at the expense of other capitalists, that if capitalism wanted war it was in error about its own interest, and that the theory that the international financier has some special interest in war defies nearly all the facts, contributes a summary of the causes of war. "It is very commonly argued, it is true," he says, "that though the people do not want war, their 'masters,' capitalist and other, do. But the present economic system and the present social order have been shaken more profoundly by the war than by any event of modern time. The capitalist system, especially on its financial side, lies nearly in ruins. Vast fortunes have melted away, historic business brought to ruin, the commercial preëminence of countries like Britain ended, great governments brought to bankruptcy, and revolutions provoked almost everywhere. And the next war will be worse. If the 'masters' are deliberately promoting it, it is because they have deliberately

decided upon suicide." Wars pay no one but the armament-manufacturers and a few affiliated profiteers, Angell contends; for the rest it is a bad business.

That the war was good business temporarily for most American industries is shown by Senate Document 259, Sixty-fifth Congress, report on "Corporate Earnings and Government Revenues." It considers the profits of 122 meat-packing firms, 153 cotton-manufacturers, 299 garment-makers, 49 steel-plants, and 340 coal-producers. Profits under 25 per cent are exceptions. The coal companies made between 100 per cent and 7,856 per cent on their capital stock during the war; the Chicago packers doubled and tripled their earnings; the United States Steel Corporation in 1916 and 1917 salted away \$888,931,000 or \$20,000,000 more than the par value of the outstanding capital stock. Senator Capper showed that the profits of private industry in war equalled the total capitalization of the companies.

It was just thirteen days after the Armistice that the *New York World*, the great liberal newspaper now unfortunately defunct, began its first series of exposures of the graft, corruption, and profiteering which made multimillionaires of several hundred men while millions died. But even then it took many years before Congress would consider an investigation. The few who during the war denounced profits were labelled traitors, pacifists, defeatists. Scott Nearing late in 1917 wrote to the *New York Times* that the attack on the Pope's peace note showed that there were those who did not want the war to end soon; the price of copper had been fixed at 23½ cents, or twice its normal figure; the steel companies were getting \$160 a ton for steel costing \$34 to make. "Congress is preparing to turn over to the American business world another seven and a half billions on which a business profit of between one and two billions will be made by American business men during the next six months. I tell you, sir, the evidence is overwhelming that you want the war to go over this winter so that ten billions of fabulously profitable army contracts will be let. . . ."

Undeterred by the newspaper's failure to print his views, Nearing wrote again that American big business the first three years of the war made about \$3,000,000,000 of excess, or war,

profits, a statement which might have been "treasonable" in 1917, but which is historical fact now.

"The increased earnings which the war brought to American industry almost exceed belief. Never in modern times has so much money been made in so short a period. Take these illustrations: The Republic Iron and Steel Company made an average profit in 1911, 1912, and 1913 of \$2,500,000; in 1916 this profit was \$14,789,163. The American Sugar Refining Company made a total profit for the three pre-war years of \$6,000,000; in 1916 this profit was \$6,000,000. The profits of the Central Leather Company were \$3,500,000 for the three years before the war, and \$15,500,000 for 1916. The General Chemical Company made profits of \$2,500,000 for the three years before the war, and \$12,286,826 in 1916. The profits of the Anaconda Copper Mining Company were nearly \$12,000,000 during the three pre-war years; in 1916 they were \$57,941,834. The United States Steel Corporation showed profits for the three years preceding the war \$63,500,000; in 1916 the profits were \$271,531,730. The profits of the Bethlehem Steel Company jumped from an average of \$3,000,000 to \$43,593,968 and the International Nickel Company showed an increase of profits from an average of \$4,000,000 to \$73,500,000.

"These are but a few of the many illustrations that might be cited of the war profits that have come to American industries.

"What do you suppose Kidder, Peabody & Co., Bonbright & Co., Spencer, Trask & Co., Hartshorne & Battelle, R. M. Grant & Co., Freeman & Co., W. J. Wollman & Co., Harris, Forbes & Co., and A. L. Pitkin & Co. had in mind when they 'contributed' space on page 16 of your issue of October 3rd to the Liberty Loan Committee of the Second Federal Reserve District for a Liberty Loan advertisement, headed 'Make the World Safe for Business!'?

"Let me cite a few illustrations. Steel is one of the chief items in war. If the United States Steel Corporation wished to do so, it could furnish steel to the United States government at \$25 to \$30 a ton and pay every charge on its business, including interest and dividends. The United States Steel Corporation is actually getting \$58 a ton. The big copper-mining companies could sell copper to the United States government at 8 cents to 10 cents a



pound and make a profit. The price to Uncle Sam is  $32\frac{1}{2}$  cents. The soft-coal operators could sell coal probably to the government at \$1. They are getting \$2."

Almost a decade later Scott Nearing's charges were proven. The copper situation was particularly interesting. According to Fred R. Jones, editor of *The Financial Review*, a leading copper-manufacturer said to him, "Politicians in Washington can wait until hell freezes over if they expect us to sell copper under 23 cents a pound." That was in April, 1918. The manufacturer's two sons were in the army and one of them was killed. Addressing the National Security League, the copper king feelingly referred to his sacrifice as "the American brand of patriotism" and when Mr. Jones again interviewed him he remarked that his not being satisfied with 10, 20, or 30 per cent profit on copper had been "good business." His company had paid dividends of \$16.25 on a par value of \$20, after a dividendless pre-war year, and, thanks to the fixed copper price, the producers had a profit in nineteen months of American participation in the war of \$512,250,000, compared to \$300,000,000 in two normal years.

A few days before the United States entered the war Bernard M. Baruch called a conference of the copper producers and asked them to give the government 45,110,000 pounds at  $16\frac{2}{3}$  cents a pound instead of the market price of 35 cents which was made on foreign orders. It was a "gift" of \$7,000,000 about which the copper barons boasted for years. But copper had cost only 7 to 11 cents a pound to produce; the low government price gave a large profit.

Secretary of the Navy Daniels insisted on 18 cents but the producers said they could not make any more "gifts" to American patriotism. The propaganda bureau of the copper-manufacturers spread the report there was a great metal shortage. Daniels then proposed "75 per cent of 25 cents a pound, and the balance of 25 per cent of 25 cents a pound, or  $18\frac{3}{4}$  cents on  $\frac{2}{3}$ rd of total" which was refused on the 60,000,000 pounds required. Finally the government set the price at  $23\frac{1}{2}$  cents, September 21st, for three months, after having paid 32 cents a pound. At the second conference with the copper committee presided over by John D. Ryan, the price was again fixed at  $23\frac{1}{2}$

cents, but in June advanced to 26, at which price it remained throughout the war.

The moment the war was over and copper a burden instead of a rare necessity, it became known there had never been a shortage but rather a tremendous supply which could have been sold at 16 cents or less and at 7 to 10 cents if profits in wartime had been abolished. The propaganda bureau of the copper interests was trying to dispose of 3,000,000,000 pounds of copper.

The Graham investigating committee report, "Expenditures in the Ordnance Department," Sixty-sixth Congress, Third session, Report No. 1400, showed that the so-called coöperative committee on copper, appointed by Mr. Baruch to assist the Council of National Defence advisory commission, consisted of John D. Ryan of the Anaconda Copper Mining Company; R. L. Agassiz; W. A. Clark of the United Verde Mining Company and the Magma Copper Company; Murry M. Guggenheim of the Chile Copper Company and Guggenheim copper interests; James McLean, vice-president Phelps-Dodge Corporation and director Greene-Cananea Co.; Charles MacNeill, president Utah Copper Co.; Stephen Birch.

On page 94 the report states: "The Utah Copper Co. in 1917 made a profit of \$32,000,000, which was 200 per cent of its capital stock, and in 1918 a profit of \$24,750,000, which was 150 per cent of its capital stock. The Calumet and Hecla Co. in 1917 made a profit of \$9,500,000, or 800 per cent of its capital stock, and in 1918 \$3,500,000, or 300 per cent of its capital stock. The Inspiration Consolidated Copper Co. in 1917 made a profit of \$12,260,000, or 55 per cent of its capital stock, and in 1918 \$9,250,000, or 40 per cent of its capital stock. The Kennecott Copper Co. in 1917 made a profit of \$11,826,000, or 70 per cent of its capital stock, and in 1918 \$9,390,135.90, or 60 per cent of its capital stock. It is probable that other companies in the list made similar profits, but the exact information is not available without a careful and detailed audit of the books of these various companies. The profits given here are net."

In addition to official figures which bear out Scott Nearing of 1917, Chairman Graham went as far as any "pacifist, defeatist, or traitor" of that era when he gave his conclusions (page 614, War Policies Commission Hearings):

"How many criminals have been uncovered? It matters not how many have been uncovered, it goes without saying that none will be prosecuted. . . . During the war hundreds of people were prosecuted by the vigilant Attorney-General for violation of the Espionage Act, but who has heard of a prosecution of a war profiteer? . . . There are thousands of men who have violated the law during the war, of whom the Attorney-General's department has full knowledge, but none of whom has been or will be prosecuted. . . . There will be no prosecution, no court-martial. What this committee uncovers will be laughed to scorn by the War Department and the Department of Justice."

Great American fortunes have been founded and maintained on war profiteering. Not all the descendants of Revolutionary patriots belong to a nobility based on ordeal by battle; on the contrary, a large number might boast a more substantial heraldry of shillings and pounds and profits in George Washington's war supplies. Many other great American fortunes of today were founded on good business and avoidance of the draft in Lincoln's time. Here are two examples:

Judge Thomas Mellon founded the Mellon fortune on sales to the War Department. When his son James Mellon wanted to join the Wisconsin Volunteers, Harvey O'Connor relates, the old judge said in a rage: "We owe nothing in the way of making up Wisconsin's quota; it makes me sad to see this piece of folly. I had hoped my boy was going to make a smart intelligent business man and was not such a goose as to be seduced from his duty by the declamations of buncombed speeches. It is only greenhorns [foreigners] who enlist. You can learn nothing useful in the army. . . . In time you will come to understand that a man may be a patriot without risking his own life or sacrificing his health."

In the Spanish-American War, Pittsburgh business boomed, notably Carnegie Steel and various coal companies; the Mellon family multiplied its millions. In the World War the fortune reached into the billions. Andrew W. Mellon had contracts with the Allies in 1915 for the products of the Koppers Gas and Coke Company; in 1917 according to O'Connor, it was Mellon who turned Dr. Heinrich Koppers over to the authorities as an enemy alien. The Koppers Company, capitalized at a million and a half, developed into a \$177,000,000 unit of the Mellon estate. Today

it is prepared to make the poison gases and chemicals of the next war.

Among the greatest financial houses founded on profits in the Civil War is that of Morgan.

In 1857 American army inspectors condemned as obsolete and dangerous a quantity of Hall's carbines, which the government then auctioned off at between one and two dollars each. In 1861 there were still some 5,000 of these rifles awaiting sale in the New York arsenal. A certain Mr. Arthur Eastman, of Manchester, New Hampshire, offered \$3 each for the lot, but the authorities asked more and finally compromised on \$3.50. Eastman, however, could not find the cash, but eventually obtained it from Simon Stevens. There are legal records showing that the man who supplied the money to Stevens was the original J. P. Morgan.

General Frémont, in St. Louis, was overjoyed when on August 5, 1861, he received a telegram from Stevens offering him 5,000 new carbines, in perfect condition. It meant everything to Frémont's command. He gave the order to purchase. J. P. Morgan thereupon paid over exactly \$17,486 to the New York authorities and shipped the guns to the Missouri authorities. The shipment went from arsenal to arsenal. General Frémont paid \$22 each for the condemned guns.

In 1862 a Congressional committee investigated the scandal which had made a small fortune for the twenty-four-year-old banker, J. P. Morgan. It was found that bribery was prevalent among officers in the Union Army. Major McKinstry, quartermaster at Frémont's headquarters, was court-martialed on sixty-one charges and fired out of the army. The Morgan incident in the Congressional committee report, which Gustavus Myers quotes in his *History of the Great American Fortunes* is summed up as follows:

"Thus the proposal actually was to sell to the government at \$22 each, 5,000 of its own arms, the intention being, if the offer was accepted, to obtain these arms from the government at \$3.50 each. . . . It is very evident that the very funds with which this purchase was effected were borrowed on the faith of the previous agreement to sell. The government not only sold one day

for \$17,486 arms which it had agreed the day before to repurchase for \$109,912—making a loss to the United States of \$92,426—but virtually furnishing the money to pay itself the \$17,486 which it received.”

The condemned rifles were so bad they shot off at least the thumbs of Union soldiers trying to use them. The government refused to pay. But Morgan pressed his claim. There is on record the suit, *J. Pierpont Morgan vs. the United States Government*, Case No. 97. The government offered to settle at \$13.31 each for the useless carbines and paid out \$55,550, which Morgan took “on account” and entered another suit in the Court of Claims for \$58,000 more. The honourable court ruled that General Frémont had made a contract, which contract bound the American government, and the fact that Morgan represented old, dangerous rifles as new could not enter the case, nor could the fact that the money paid for the guns in New York was really the government’s money. A contract is a contract, as every student learns the first day he studies law. The court awarded Morgan and his associates the full amount of the claim. This episode, according to Myers, is the actual beginning of the Morgan business career.

In 1863 Morgan with the aid of Edward B. Ketchum raided the gold market and almost cornered it. It was the biggest coup of his early career and it was made possible by gun profits. It incidentally aroused the fury of all the patriotic citizens of America.

In the World War the British Ministry of Munitions placed orders in America amounting to \$2,063,350,000. The British government’s fiscal agent, the house of J. P. Morgan & Co. handled this business and made its profit.

The profits in building up the American navy, according to the testimony of Admiral Strauss, given at the investigation in 1916, have always been considerable because the cost of manufacturing armour plate by the government would be only \$262 a ton. Even Eugene Grace of Bethlehem testified the cost of production should not be more than \$315. But what were the actual prices the American government was paying?

Here is the record of Mr. Grace’s company, taken from the official figures, the *Navy Year Book*, government Printing Office,

1922, page 916, table 38, "Armour Contracts, Bethlehem Steel Co":

Amphitrite, contract June 1, 1887; 237 tons, cost per ton.....	\$604
Maine (old), contract June 1, 1887; 1221 tons, cost per ton.....	\$634
Maine (new), contract Nov. 28, 1900; 2419 tons, cost per ton.....	\$411 and \$453
New York, Oklahoma, Pennsylvania, and other capital ships of the 1911, 1912 and 1913 programs, prices ranging between.....	\$420 and \$518
Iowa } Oct. 29, 1919; 21,010 tons.....	\$520, \$581 and \$555
Massachusetts }	

The first ship built by the Carnegie Steel Co. was the (old) *Arkansas*, contracted August 30, 1899, at \$411 a ton; the last ships were the *Constellation* and the *Ranger*, April, 1917, and May, 1920, at \$586 and \$560 a ton, respectively.

Table 40 concerns the Midvale Steel Co. a newcomer in the field, which had underbid the existing companies before arriving at a decision to submit identical bids. The record shows, first ship, the *Mississippi*, December 15, 1903 at \$385 and \$398 a ton, the last ships, the *Constitution* and the *Saratoga*, April, 1917 and June, 1920, at \$525, \$586 and \$560 a ton.

Bethlehem supplied sixty tons for the *California* at \$395 a ton but ran its other contracts from \$376 to \$486. The Carnegie Steel in 1916 contracted for the *Tennessee* and the *California* at \$425 to \$486. Midvale also had a sixty-ton order for \$376 in 1916, but the *Mississippi* in 1914 cost \$376 to \$486 and the *Maryland* in 1917 cost \$385; then the price went up in 1919 to \$520 and \$581, for the *South Dakota*.

In the 1916 hearings before the Senate Committee on Naval Affairs the following testimony was taken:

SENATOR SWANSON: Will you please state to the committee how the conclusion was reached as to the cost of armour plate at \$262 and some cents, and what was included?

ADMIRAL STRAUSS: We have attached to the bureau inspectors at the three works, and we have an officer in the bureau whose principal duty it is to look out for armour and armour contracts, and, with the assistance of the officers above referred to and the officers of the bureau, the commission ascertained by personal examination what the cost to the United States government would be for the production of armour. . . .

SENATOR SWANSON: Did you include in that all the charges such as might be incurred by the Navy Department itself?

ADMIRAL STRAUSS: We included in that all of the direct charges

for material and labour; all of the overhead charges, maintenance, upkeep, salaries of experts—everything, in fact, except the charges at the Navy Department, the administrative charges there, which consist of one officer and a stenographer.

At this point up rose Senator Boies Penrose, a representative of that era when members of Congress from Pennsylvania were the agents of the steel and coal industry, the pre-Pinchot era when Pennsylvania was known as “corrupt and contented,” when the great citizens of the great state boasted of their Henry Clay Fricks and Philander Knoxes, Penrose, the great Republican war horse, the maker of three Presidents, the representative of coal and iron and the Pennsylvania Black Cossacks, questioned his friend Grace:

SENATOR PENROSE: Mr. Grace, you have heard the admiral just state that the actual cost was \$262.

MR. GRACE: Yes.

SENATOR PENROSE: Covering everything, deductions for overhead charges and deterioration and everything else. My recollection was you qualified that very largely.

MR. GRACE: And on the same basis for a plant running full I deduct that the cost of armour would be at all times \$315 a ton.

When Josephus Daniels, Secretary of the Navy, appeared to give testimony unfavourable to the armament interests, the Pennsylvania Senator did his best to confuse the witness. Mr. Daniels spoke of “the international nature of the [armament] business.” Senator Penrose corrected: “the *possibly* international character of the business.”

SECRETARY DANIELS: Well, in 1894 there was some international business. The Bethlehem Co. sold armour plate to Russia in 1894 at \$249 a ton; at the same time, under the contract of March, 1893, they sold armour plate to the American government for \$616.14 per ton. In 1911 they sold to Italy at \$395 a ton, while they were charging this government \$420 a ton. Later they sold it to Japan for \$406.35 a ton, as against prices ranging from \$504 to \$440 a ton to this country.

Since then I understand there have been no international sales; neither has any foreign government sought to sell in this country, and none of our companies have sought to sell abroad. That being

true, they did not raise any objection to making the information public on international grounds.

SENATOR PENROSE: They did not?

SECRETARY DANIELS: No. They said their objection to giving the details to the public was that it would disclose their private business to their competitors in America. My reply to that was that they had no competitors in America, for all the manufacturers of armour charged identically the same price.

SENATOR PENROSE: And they will have fewer competitors, I presume, if the government keeps on.

SECRETARY DANIELS: I would like to proceed with my statement about our experience in buying armour.

THE CHAIRMAN: Very well, Mr. Secretary.

SECRETARY DANIELS: The first contract we offered, in 1913, was the armour plate for the *Arizona*, I think.

MR. BARBA: Yes; No. 39.

SECRETARY DANIELS: When the bids came in from Carnegie, Bethlehem, and Midvale they were identically the same figure, \$454 per ton.

THE CHAIRMAN: You mean to say that these three competitors all happened to hit on the same price?

SECRETARY DANIELS: To a cent.

SENATOR POINDEXTER: What year was that?

SECRETARY DANIELS: 1913. I rejected all these bids on the ground that there had been no competition. Later I had a talk with the gentlemen representing these three companies and told them that we wished competition and that I could not understand how they could hit upon identically the same figure to a cent. Their answer was this: The Midvale people said that some years before that, when bids were offered, they had made the lowest bid but were not awarded the contract and that the department adopted the policy of dividing the contract between the three concerns; and they said, of course, "Why should we bid a lower figure if it is going to be awarded one-third to each of us at the same price?" But I advertised again, and they came down to \$440 per ton, enabling the department to effect a saving of \$111,000 on that contract.

Since then we have had bidding which has varied very little and we have had, of course, practically no competition. . . .

In 1895 Secretary Herbert visited Europe and made a thorough investigation into the armour-plate situation. He became satisfied that there was a world-wide agreement by which the manufacturers of one country would not sell in any other country, and he recom-



mended the building of an armour-plate factory as the result of that investigation.

THE CHAIRMAN: Mr. Secretary, you evidently believe there is a combination among these manufacturers of armour?

SECRETARY DANIELS: Well, I evidently believe there is no competition. . . .

SENATOR PENROSE: I think it is admitted it is not a strictly competitive proposition. The point of view of the government has been: Is the government getting armour plate at a reasonable price and one that can be compared with that which it costs other nations?

THE CHAIRMAN: Mr. Secretary, from your experience with the manufacture of smokeless powder by the government, you are satisfied that the government can manufacture armour more cheaply in its own factory than it can buy it?

SECRETARY DANIELS: There is no doubt of that.

THE CHAIRMAN: And the ownership of an armour factory would relieve us of future combinations, or perpetual combinations?

SECRETARY DANIELS: I think this: If we owned it, we would secure competition from outside plants as well as our own. And I believe, in view of the many changes and new construction, the government ought to have a factory where its own experts would be studying the best methods of making armour plate.

Of course, the private manufacturers and the government have worked harmoniously trying to perfect the best armour, but I think the government ought to be doing it itself. At present, the armour-plate factories do not sell abroad, but they have a right to do so, and the armour they are making is the joint product of the brains of the navy and the armour-plate experts. They have made the armour plate upon our specifications. If our experts should obtain armour plate in this country that was better than could be obtained in any other country in the world and we wished no other country to have it, we have no guaranty now that it would not be sold abroad.

Take the matter of torpedoes. We have gone into the manufacture of torpedoes pretty largely, and we have had a good many manufactured by private concerns. Two years ago the manufacturers of the torpedo, which really was the product of the navy's inventors working with the private concerns, were about to sell those torpedoes to foreign countries, and we had to enjoin them in the courts on the ground that that torpedo was a product of the navy's brains as well as theirs and it should not go abroad. After litigation it was decided in the courts of New York that the private company could not sell them abroad.

Altogether the American government has made nine official estimates of the cost of manufacturing armour plate, the average price per ton being \$247.17. Between 1887 and 1916, the year of the inquiry, the average price paid was \$440.04 per ton, total, \$95,656,240. The nation would have saved \$35,000,000 or three times the cost of the proposed national armour plant, had it "rolled" its own.

The Senate inquiry then turned to powder. Before giving the statement of Secretary Daniels, which represents the view of the American government, here is the claim and defence of Pierre S. Du Pont, head of the E. I. Du Pont de Nemours Company, from a speech delivered in 1921 "to dispel the popular conception of the munitions-maker as a sinister individual with a deep hatred for peace and the pursuits thereof." Mr. Du Pont made these declarations:

"In wartime, prices of most materials mount skyward. This is true particularly of foodstuffs, clothing, and many articles that go into the equipment of the fighting-man. Manufacturers of such products are given an immense and immediate market at soaring prices. Yet manufacturers of these commodities are not accused of promoting war for the selfish purpose of increasing prices, notwithstanding the fact that the increased demands of war do not require the investment of their capital in special machinery and supplies useless for peaceful pursuits.

"Smokeless powder, the chief product of the Du Pont Company during the War, was the only essential material whose price declined during that period. We believe that is a record. . . .

". . . Our price on smokeless powder was reduced from fifty-three cents to forty-four cents during the war period. . . .

"It is probable that few munitions-makers gained much financially from their operations. In the case of the Du Pont Company taxes paid to the United States government during the recent war not only absorbed the entire profit of the company on powder sold to our government, but, in addition, wiped out all of the profits made on these powders during the preceding twenty years. . . . I hope that I have made it clear that we makers of munitions who survived the risks to life and capital are not among those anxious to repeat the experiment of war by preventing the establishment of permanent peace."

In contradiction to Mr. Du Pont, here is the testimony of Secretary Daniels.

SECRETARY DANIELS: When the government began to manufacture smokeless powder it paid to the private company eighty cents a pound.

Later, some years ago, Representative Sherley began an investigation as to what ought to be the price—about six years ago; I won't say exactly the time. After that investigation Congress fixed the price at fifty-three cents. We did not manufacture much smokeless powder then. The Sixty-third Congress increased the capacity of the powder-factory, so that now we can manufacture, beginning the 1st of March, 6,000,000 pounds a year. It costs us twenty-four and a fraction cents to manufacture it; that is, the first cost, not counting investment and overhead charges. Counting that, it costs about thirty-five or thirty-six cents.

SENATOR SWANSON: What has been the experience in connection with the manufacture of guns?

SENATOR LODGE: I would like the Secretary to finish this matter.

SECRETARY DANIELS: We can manufacture in the navy, beginning the 1st of March, all the powder we need in the regular orderly operation as the General Board has prescribed. We can make it all, as I say, at a cost of twenty-five cents net, or thirty-six cents with the overhead charges, a very great saving, you see.

THE CHAIRMAN: What is the experience of the government with the lasting qualities of smokeless powder?

SECRETARY DANIELS: It lasts longer.

THE CHAIRMAN: Can it be kept in stock and stored up?

SECRETARY DANIELS: Every few years we rework this powder, but Admiral Strauss has been able to make it so much better we do not have to work it so often. About once in three years we rework this powder. It used to be worked oftener.

SENATOR PHELAN: You make it at thirty-five cents?

SECRETARY DANIELS: Including all overhead charges, yes.

SENATOR PHELAN: What is the commercial market price for large quantities of powder?

SECRETARY DANIELS: Congress fixed the price that we should pay when we buy it outside at fifty-three cents.

SENATOR PHELAN: But what do the manufacturers sell it to outside purchasers at?

SECRETARY DANIELS: I do not know, Senator. A dollar a pound I think they are charging now.

SENATOR CHILTON: I have heard that.

SECRETARY DANIELS: My understanding was the Du Pont Co. had a contract abroad for millions of pounds at one dollar a pound.

SENATOR PHELAN: The same quality powder?

SECRETARY DANIELS: I think they make the same quality of powder. . . .

SENATOR PHELAN: I think this information is very interesting, in view of the fact that a larger part of the opposition to the program of preparedness comes from men who think that those who manufacture munitions are always stirring up trouble and inspiring the war spirit for the purpose of selling their wares. You say that all the powder used in the ordinary orderly routine of the Navy's operations is manufactured by the government plant?

SECRETARY DANIELS: Yes.

SENATOR PHELAN: And what percentage of the small arms?

SECRETARY DANIELS: Not a very large per cent; a very small per cent.

SENATOR PHELAN: Torpedoes?

SECRETARY DANIELS: We manufacture torpedoes, over half.

SENATOR PHELAN: Then if you manufacture your armour plate and build your ships in navy-yards that objection to preparedness would be answered?

SECRETARY DANIELS: I think it would be a good proposition for the government in every way.

SENATOR PHELAN: And in the proportion that you do manufacture these things as a government, in that proportion would the sentiment against preparedness be allayed?

SECRETARY DANIELS: That part of the preparedness sentiment that comes from those who get money out of it.

Between 1905 and 1916 the United States government purchased \$25,000,000 worth of powder, paying 53 to 80 cents for something which could have been made for thirty-six cents a pound. It could have saved from eight to ten million dollars.

In the *Congressional Record* the subject is mentioned by Representative Tavenner (Extension of Remarks . . . In the House of Representatives, February 15, 1915):

"What it actually costs the Du Pont Trust to manufacture a pound of powder is a secret which the Du Ponts refuse to divulge, as they have a perfect right to do, although the government permits the Du Ponts to know the costs of every step in the process of powder-making in government plants and gives them the bene-

fit of all economies discovered by it from time to time in making of powder.

"Mr. Robert S. Waddell, of the United Safety Powder Co. . . . of Louisville, Ky., who was with the Du Pont Co. as general sales agent for the United States for twenty-one years, and who has built several powder mills, estimated, in the hearings on the fortifications appropriations bill in 1912, page 187, that the cost to the Du Pont concern in making ordnance smokeless powder is \$0.218, exclusive of selling costs, which estimate aroused Admiral Twining, Gen. Crozier and Vice-President Buckner of the Du Pont Trust, to a high state of fury. . . .

"Touching the question as to whether the Du Ponts have been able to make a profit, Mr. Waddell, while on the witness stand, declared:

"I know by the sworn testimony of the Du Ponts that they have been paying 18 per cent dividends on \$35,000,000 of capital, and have created a surplus fund in addition to that of \$16,000,000 so that they are not losing any money on the investment of their capital.'"

The race for profits frequently results in the delivery of dangerous defective materials to the government. In an investigation into charges against the Carnegie Steel Company (then known as Carnegie, Phipps & Co.) the general superintendent of the Carnegie admitted to the House committee that he gave orders that "blow holes" in armour plate should not mean rejection of the plate. He testified it was "likely" that his company "did really conceal the fact of blowholes in the plate (page 647)."

William E. Corey, president of the Midvale Steel and Ordnance Co. and director of the International Nickel Co., in charge of the armour plant, testified (page 559. House of Representatives Report 1468, Fifty-third Congress, Second Session, "Violation of Armour Plate Contracts").

Q. Did anyone above you—did a superior officer—know that you were doing this thing?

A. Yes, sir.

The official House report says in conclusion:

"The servants of the Carnegie Steel Co. (whether with or without the knowledge of the company), to increase their gains,

deliberately continued for many months to commit acts whose natural and probable sequence would be the sacrifice of the lives of our seamen in time of war, and with them perhaps the dearest interests of the nation. . . .

"No fine or mere money compensation is an adequate atonement for such wrongs. The commission of such frauds is a moral crime of the gravest character. . . ."

President Cleveland assessed damages at \$140,000 against the Carnegie Steel Co., in spite of the vigorous protests of Philander C. Knox, general counsel of the Carnegie Company and later Attorney-General of the United States and Secretary of State—and always one of the errand boys of the coal and steel corporations.

Between 1902 and 1911 there were 147 soldiers and sailors killed and 102 maimed as the result of explosions, bursting guns, faulty breech-blocks, on twelve battleships and two coast forts. A mere drop in the bucket compared with the blood wasted during the war.

In 1896 when the Naval Affairs Committee of the Senate investigated the three companies composing the American branch of the world armour plate international, and found them selling their wares to the Russian government cheaper than at home, the defence was that the Russian lot was a sample.

The Senate committee set the fair price at \$300 a ton.

Shortly afterwards the war fever spread through the United States. Roosevelt was leading the nation against Spain—the fleets would fight the decisive battles. The government needed ships. It gave orders. But while the country went patriotic and shouted "Remember the *Maine*," the armour-plate concerns refused to make warships unless \$100 a ton additional to the Senate price was paid them.

In 1915 an investigation by the Bureau of Ordnance, Navy Department, proved that with a plant capable of 10,000 tons annually, the government could save \$1,061,360 a year; \$3,048,462 with double tonnage.

Colonel George Montgomery of the Frankford Arsenal, Philadelphia, reported the government could save 20 to 60 per cent on its army contracts by national manufacture. He showed that the government saved \$979,000 in manufacturing its July,

1912, to April, 1913, requirements for \$1,900,000. He included 15 per cent for overhead, also interest on investment, depreciation of plant, and costs based on estimates of private firms. The government had been paying \$3.06 for a 3-inch finished shrapnel case and manufacturing it for \$1.75; paying \$17.50 for 3.8 shrapnel and manufacturing it for \$7.94.

TABLE (J-11)

An array of firms based on an uncompleted statistical study of the percentages which the net earnings in each year of a number of companies for the period 1911 to 1920, inclusive, bear, for each firm, to its net earnings in 1911, 1911=100.

<i>Name of company</i>	<i>Peak of relatives Per cent of 1911</i>	<i>Year of peak Per cent</i>
1916 and 1917 Peaks:		
1. Southwest Petroleum Company.....	4,599	1916
2. American Zinc, Lead and Smelting Co. ....	2,866	1916
3. Scovill Manufacturing Company.....	2,674	1916
4. By-Products Coke Corporation.....	1,448	1917
5. E. I. Du Pont de Nemours & Company.....	1,248	1916
6. Bethlehem Steel Corporation.....	1,213	1916
7. Cambria Steel Company.....	898	1917
8. Eastern Steel Company.....	777	1916
9. Anaconda Copper Mining Company.....	614	1916
10. United States Steel Corporation.....	282	1916
1917 and 1918 Peaks:		
The American Shipbuilding Company.....	1,040	1918
Lindsay Light Company.....	974	1918
Wm. Cramp and Sons Ship and Engine Bldg. Co..	578	1918
Newport News Shipbuilding & Drydock Co. ....	445	1917

TABLE (K-11)

An array of firms based on an uncompleted statistical study of the arithmetic deviations of net earnings from the net earnings for 1914. 1914=0. The deviation for the peak year with date is given.

<i>Name of company</i>	<i>Peak deviations in dollars</i>	<i>Year</i>
1916 and 1917 Peaks:		
1. United States Steel Corporation.....	247,398,729.00	1916
2. E. I. Du Pont de Nemours Company.....	76,345,010.00	1916
3. Anaconda Copper Company.....	40,738,281.00	1916
4. Bethlehem Steel Corporation.....	39,564,130.00	1916
5. Cambria Steel Company.....	23,822,571.00	1917
6. Scovill Manufacturing Company.....	12,946,467.00	1916
7. American Zinc, Lead and Smelting Company....	7,227,811.00	1916
8. By-Products Coke Corporation.....	2,700,277.00	1917
9. Eastern Steel Company*.....	2,678,239.00	1916
10. Southwest Petroleum Company.....	1,065,892.00	1916
1917 and 1918 Peaks:		
The American Shipbuilding Company.....	6,610,961.00	1918
Newport News Shipbuilding & Drydock Company	2,920,733.00	1917
Wm. Cramp and Sons, Ship and Engine Bldg. Co.	1,505,384.00	1918
Lindsay Light Company.....	486,601.00	1918

\* Data lacking for 1914 and 1915. Deviations from 1913 used.

For years Professor Stimson of the University of Vermont has been making a study of the world armament situation, especially the cycles of depression, war scares, wars, and their inter-relation. His conclusions occupy 700 typewritten pages which still seek a publisher. Two of his most interesting tables concern the profits in war. In one he shows the percentages of gain, compared with a 1911 profit as 100 per cent, ranging from 282 per cent for the United States Steel Corporation to 4,599 per cent for the Southwest Petroleum Company; in another he shows that although its percentage was small, the steel industry profited more in dollars than any other company.

A thorough academic study of the shipbuilding industry from the time armament was introduced leads Professor Stimson to conclude that it passes through cycles of decay and rejuvenation, that profits are derived from competition between nations, and that "this naval competition tends to provoke war," while after the war the industry again passes through a boom time by replacing the merchant and war-vessels which have been destroyed. Warship-building tends to occur at times of depression in merchantmen orders, and "big-navy campaigns and war scares tend to occur at times of depression in shipbuilding." Rarely does Professor Stimson permit any emotion to enter his economic study, but he concludes: "War performs the economic function of creating waste and destruction. . . . Having failed to solve the problem of keeping the wheels of industry running by a rational plan of life, we oil them with the blood of our young men, feed them with our resources, and create fortunes for a few in the process."

How many billions did American business men make out of the last war? There are various estimates. It has been figured that the war cost more than \$300,000,000,000 in money and material destruction, and it is proven that profits were not the few per cents of peacetime, but generally reached 50, 60 and several hundred per cent on war orders. Of these America got the great share. Billions were spent for food and clothing as well as munitions.

By the time the United States joined the Allies, the number of confessed millionaires had more than doubled. This is proven officially from the tables of the Commissioner of Internal Revenue. In 1914, 7,509 Americans admitted millionaire incomes and in



1916 17,085, or two and a third as many, paid taxes indicating sudden riches.

Persons whose incomes alone were half a million dollars or more, indicating possession of wealth from ten million dollars upward, were the largest group among the war millionaires. Ordinary millionaires doubled, but multimillionaires trebled, increasing from 174 in 1914 to 582 in 1916.

These figures, being official, represent the minimum number of great war profiteers who have reported to the revenue collectors. It would have been no exaggeration to place their number at twice as many.

And then America entered the war. The greatest era of money-making in history began.

In 1929 the greatest panic in world history occurred. Everyone, profiteers, billionaires, and the starving unemployed paid for the war. Victors and vanquished alike were stricken down by economic inevitability. A few individuals, no doubt, escaped with their war fortunes intact. But to all the world proof was given that the war paid no one.

### The Profits in War-making (European)

THE history of armament-making in Britain is a history of great profiteering.

An early example was given in his report to Parliament May 8, 1856, by Sir John Anderson, who dealt with the Crimean War. "There were not shells enough in the arsenal," he said, ". . . the fuses were of the date of Waterloo. . . . We were obliged to go to Liège for 44,000 Minie guns, 3,000 cavalry swords, and 12,000 barrels of powder, and to the United States for 20,000 barrels more. Money no object. . . . The government was charged by the contractors £73 per ton for 6-pounder diaphragm shells now made in the royal laboratory for £14/10/2 per ton.

"Had we possessed reliable guns in the late campaign, the destruction of Cronstadt and Sevastopol would have only formed the work of a few days. No less than seventeen of the 13-inch mortars were destroyed by the want of tenacity in the iron."

On August 18, 1919, speaking in the House of Commons, Lloyd George, without disclosing how great a profit the armament-makers made during the World War, indicated the astronomical figure in his claim that he had been able to effect a saving of more than two billion dollars. He said: "The 18-pounder, when the Ministry [of Munitions] was started, cost 22s. 6d. a shell. A system of costing and investigation was introduced and national factories were set up which checked the prices, and a shell for which the War Office, at the time the Ministry was formed, cost 22s. 6d., was reduced to 12s., and when you have 85,000,000 of shells, that saved £35,000,000. There was a reduction in the price of all other shells, and there was a reduction in the Lewis guns. When we took them in hand they cost £165, and we reduced them to £35 each. There was a saving of £14,000,000, and through the costing system and the checking of the national factories we set up, before the end of the war there was a saving of £440,000,000."

In 1914 the armament industry in Britain was capitalized at

£150,000,000. Its era of great profits dates from the German scare of 1908-09, when Vickers and Armstrong alone distributed a million and a half sterling to their stockholders; in 1913 they increased their capital by two and three-quarters times and paid out two million pounds.

In 1913 the shareholders in Armstrong, Whitworth & Co. learned that a "pleasant surprise" awaited them at the annual meeting—a 12½ per cent dividend and a bonus of one share for four; "the directors take a confident view of the near future" . . . it was almost the eve of the World War. In 1914 the press reported that Sheffield in 1913 enjoyed a period of abundant trade, "and those departments which manufacture munitions of war for the British and foreign governments have never been better off; excellent orders were received for armour, guns, and projectiles; the plants were engaged at their fullest capacity and the work or prospects of work at present in sight are sufficient to keep them occupied for five years to come." It was a remarkable prognostication.

The naval race, 1909-12 gave Vickers profits of £474,000, £544,000, £745,000 and £872,000. In 1913 profit was £929,107 and the dividend 12 per cent, having been increased from the usual 10. Wartime profits have been kept secret. Recent reports show the following profits and dividends:

<i>Year</i>	<i>£ profits</i>	<i>Per cent dividends</i>
1921.....	708,108	5
1922.....	683,205	5
1923.....	499,566	0
1924.....	403,224	0
1925.....	420,973	0
1926.....	562,234	0
1927.....	992,984	8
1928.....	939,903	8
1929.....	941,971	8
1930.....	775,926	8
1931.....	574,493	5

In 1925 there was a reorganization, the shares being reduced from par of £1 to 6s. 8d. The 1931 report said: "In spite of the universal and abnormal depression of trade which prevailed in 1930, Vickers, Ltd., the famous armament shipbuilding, heavy steel, aircraft, and engineering company, was one of the few British companies which succeeded in maintaining its profits fairly close to the level of 1929."

Armstrong profits for the naval race period were:

<i>Year</i>	<i>£ profits</i>	<i>Rate</i>
1905-06.....	606,408	15
1906 (6 mos.).....	456,630	20
1907.....	658,977	15
1908.....	374,967	10
1909.....	469,967	10
1910.....	597,637	10
1911.....	627,227	12½
1912.....	798,547	12½
1913.....	856,673	12½ (and one share for four)

In 1927 the Vickers-Armstrong fusion with a capital of £13,000,000 was the largest deal of this kind in England.

Some time ago a contract was made with the Sun Life Insurance Co. which agreed to pay £200,000 annually when profits fall below £900,000.

The dividend tables of these and other British armament firms do not tell the whole story of great profits. Recently (February 28, 1933) Morgan Jones, Labour member of Parliament, told of a company manufacturing munitions in one corner of its plant for Japan, and in another corner for China. It so happened that the purchasing agents for the two warring nations arrived at the same hour one day and met in the waiting-room. Being gentlemen of the professional military mind, they did not fly at each other's throats, but compared notes. They then called on the director with the demand he reduce prices. They are saving 40 per cent now. (The press reported that the House "roared with laughter" when this episode was mentioned during the Far Eastern debate.)

As gas and airplanes grow more important year after year, the manufacturers of these new war commodities show increased profits. Imperial Chemicals Industries, Ltd., in 1932 reported an increase of £3,408,290 in net income; gross profits of 33 1/3 per cent over 1931; net, 40 per cent over 1931. Its metals division, which supplied the Far Eastern belligerents with munitions, issued no separate report. The Fairey Aviation Co., Ltd., in 1932 reported profits increased from £184,000 to £198,000, the largest year in its history. Reserves increased from £60,000 to £90,000.

With the exception of three or four years in which Liberal Prime Ministers curtailed the war budgets, the shareholders in

the British armament industries have done better than the holders of stocks and bonds in more peaceful concerns. "Patriotism at from 10 to 15 per cent," said a manifesto which the Union of Democratic Control published in 1915 when it proposed a just peace, disarmament, and nationalization of the war industries, "is a temptation for the best of citizens. . . . Leading ecclesiastics making 15 per cent out of guns, mines, bombs, warships; leading members of Parliament putting themselves in the position of reducing their own incomes every time they vote for peace and good-will; the armament firms of Great Britain and Germany combining for the purpose of advancing their mutual interests; members of propagandist military organisations investing in companies—and being directors of them—whose interests are inseparable from the propaganda; surely such facts constitute so flagrant a breach of all ordinary standards of decency and honesty as to stagger the conscience of the nation."

The Krupps did business at 100-per-cent profit. All the armour plate of the German navy which lies at Scapa Flow cost the government just double what it cost the Krupps. This fact was proven by an investigation of experts and given to the Reichstag April 23, 1913, by Herr Erzberger.

Erzberger was not a socialist or pacifist like Karl Liebknecht; he was a patriot and an economist and a friend of the financiers. His only reason for making the revelations was to save the government money and to restore the financial health of the country. He repeated to the Reichstag the statements made to him by the big bankers: "Armaments are the death of good and healthy finance, today." The German people were suffering. The standard of living was declining and socialism was growing. "It is a fact," said Erzberger, "that the chief purposes of all new taxation is armament. In the past thirty years no new tax has been created which is not due to armaments."

Replying to the charge that the Krupps were selling armour plate to the United States at 1,900 marks a ton while delivering it to the German government at 2,320 marks, Erzberger said this was not true; it was a fact, however, that Krupps did charge 2,320 marks (about \$580) and that the American warship companies which had bought the Krupp patent and were making the very same armament, paying their workmen much more than

Krupp paid, sold their armour at \$480 a ton. He thought this was scandalous profiteering on the part of Krupps.

The sudden rise in the price of armour plate which was announced on the formation of the French construction syndicate resulted in a surplus profit of at least \$800,000 on each dreadnought. France paid \$10,000,000 for the *Voltaire*, while Germany paid \$9,000,000 and England \$5,700,000 for similar ships in the same year. Taking into consideration lower workmen's wages in France than in England, and the fact that Krupp made a profit of 100 per cent on his armour plate, it is obvious that, from 1903 on, business was more than good in France. The following table of Schneider profits is illuminating:

<i>Year</i>	<i>Capital in million fr.</i>	<i>Profits in million fr.</i>	<i>Dividends in fr. per 400 fr.</i>
1911-12.....	27	6.70	80
1913.....	27	7.21	85
1914.....	36	....	85
1915.....	36	9.11	85
1916.....	36	10.79	95
1917.....	36	11.34	100
1918.....	36	13.98	120
1919.....	36	13.92	120
1920.....	36	13.94	120
1921.....	36	13.34	120
1922.....	36	11.52	100
1923.....	50	11.71	100
1924.....	100	14.11	80
1925.....	100	21.77	80
1926.....	100	22.5	80
1927.....	100	25.5	80
1928.....	100	24.1	90
1929.....	100	26.3	100
1930.....	100	26.6	100
1931.....	100	....	100
1932.....	100	25.47	100
1933.....	100	25.39	100

In declaring the 100-franc dividend on each 400-franc share in 1932 M. Schneider said: "Despite the fact our railroad and maritime construction leaves much to be desired and suffers considerably from the general crisis, these branches which occupy themselves with the defence of our country have obtained a not indifferent satisfaction."

In 1918 the Hotchkiss machine-gun company paid out 48,000,000 francs in dividends and increased its capital from 6,000,000 to 16,000,000 francs. Between 1925 and 1930 dividends were 90 per cent. In 1931 the company paid 20,270,341 francs on a

capitalization of 16,000,000. In 1932 the financial press announced the war material branch was operating "satisfactorily," the company having half filled an order for 200,000,000 francs from Japan and 500,000,000 francs from Brazil. In 1933 a 60-franc dividend was declared.

In 1933 a series of propaganda articles defending the French munitions-makers appeared in the *Annales Politiques et Littéraire*, signed Paul Allard. He quotes the president of the largest machine-gun firm in France, obviously Hotchkiss, saying to the 1932 stockholders meeting:

"We have received important orders, here and abroad. . . . We have increased the number of our workingmen. Our shops at present are working to capacity in the departments of war materials. . . ."

A stockholder interrupted with the remark he had been led to expect a dividend of 75 francs in the report of the previous year.

"It is inconvenient," replied the president, "to speak at a general assembly of questions which do not depend on us, but which depend on great international settings where not only is the fate of one nation or another at stake, but that of the whole world."

In conclusion the president was more cheerful again. "We should be happy and proud," he said; "we have a magnificent plan. We hope that, thanks to our remarkable equipment, we will succeed in producing such war materials which will be appreciated in foreign countries and which will assure us more and important orders!"

## Chapter Nineteen

### Dictators, Dollars, and Guns

THE \$60,000,000,000 spent from the morning the bugles of the Western front announced peace, until the present year, have frequently involved the foreign policies and the financial stability of nations, some great bankers, all the armament firms, and the overthrow of democratic governments by dictators.

The armament-makers are always associated with banks and with dictators. They frequently involve their own governments in foreign adventures when they obtain loans for the building of warships and equipping of armies of other nations. They support dictators in power who pay for munitions and order more, and they have financed demagogues whose rule would protect them and enlarge their business. In short, the munitions companies play a great part in the financial and political movements of the modern world.

Most dictatorships are business propositions. The main businesses in many dictatorial countries are coal, iron, and oil. Armaments are an important factor. In Soviet Russia the state owns industry; in Germany and Italy, on the contrary, industry owns the state.

The German steel industry controls the Hitler government more directly and completely than the Comité des Forges the French government. In France there is always the chance that Herriot will return to power and a distant opportunity for even more liberal and radical parties, but the arrival of Hitler placed steel on the Hohenzollern throne.

The logical reward for many years' support given the National Socialist movement has been the appointment of Dr. Fritz Thyssen as head of the new Union of West German Industry and the Supreme State Authority or dictator of the Ruhr and the Rhineland. He is also the chief representative of private business in the new Prussian State Council.

In November, 1933, Thyssen consolidated the power of German steel. A billion-dollar trust has been formed. The chief participants are the Vereinigte Stahlwerke, the Gelsenkirchener



Bergwerks Gesellschaft, the Phoenix A. G. fuer Bergbau, the Stahlwerke Vanderzypen und Wissener Eisenhuetten Gesellschaft. The Vereinigte Stahlwerke is a Thyssen enterprise, while the Gelsenkirchener was controlled by Friedrich Flick until July, 1932, when, on the verge of bankruptcy, it permitted the Dresdner Bank to turn over the majority stock to the German government. The *Taegliche Rundschau* at that time said "the transaction was completed to keep the Flick interests from falling into the hands of the well-known French cannon-factory, Schneider-Creusot."

But there is more to the story than that. The Bruening government did buy 125,000,000 marks' worth of shares of Gelsenkirchener because it feared bankruptcy would cause such a panic that the entire industrial system would collapse. But it prepared to resell at an opportune hour. Immediately a battle of interests began. On the one side were Bruening's friends—the Deutsche Bank, Otto Wolff, a Catholic, leader in the Centrum party, a liberal, and a partner of Ottmar Strauss, a Jewish politician, also a liberal; and several Catholic associations with the Catholic press they controlled. This group was favourable to the Franco-German steel and coal entente, and to the Aciéries de la Marine et d'Homécourt, the powerful French company which also favoured the alliance and whose former director, François-Poncet, of the Comité des Forges, was ambassador to Berlin.

Opposed to them were Fritz Thyssen, Friedrich Flick, Dr. Albert Voegler (one of Germany's largest industrialists), the inheritors of the Stinnes policies and part of his works. Thyssen and Voegler had been to Rome several years before and received the Duce's blessings for their plan to subsidize Hitler and place Big Business in power. They had, accordingly, levied a tax on industry which bought brown shirts—and pistols. Otto Wolff, the Catholic, and Ottmar Strauss, the Jew, maintained the democratic-republican tradition. The Thyssen-Flick-Voegler combination therefore directed the political influence of steel and iron against the Catholics and the Jews. Despite Wolff's effort, Thyssen succeeded in persuading the Bergbauverein Essen and the Nordwestgruppe des Eisen und Stahlindustrie (the unions of the coal, iron, and steel manufacturers) to set aside so many

marks for Hitler for each ton of coal or iron or steel produced. The price for these products was raised accordingly.

In 1932 Thyssen gave Hitler 3,000,000 marks for the elections. This sum was needed to make good the defections of the Strasser Nazis and the loss of 2,000,000 votes which had been won by von Papen. "In the middle of January (1932)," writes Ernest Henri, "a secret meeting between Hitler and von Papen was held in the house of Baron von Schroeder, partner of the banking house of J. H. Stein, closely related to Flick and Thyssen. Although, thanks to an indiscretion, the news of this meeting got into the papers a few days later, the conspiracy against von Schleicher was ready. The allied group, Thyssen, Hitler, von Papen, Hugenberg (who is a director of the Thyssen steel group), who were backed by the entire German reactionary forces, succeeded in drawing to their side the son of President von Hindenburg, Major Oskar von Hindenburg, who had so far stood by his old regimental friend, Schleicher. In this way the sudden fall of Schleicher and the sensational nomination of Hitler came about. Thyssen had won, and Hitler set the scene for his St. Bartholomew's night."

The adhesion of Dr. Alfred Hugenberg was of great importance because he owned the Teleunion, the second largest news agency in Germany, also some sixty newspapers and controlled hundreds more. Hugenberg, who directed Krupps before he became associated with Thyssen, was also in the coal, steel, and armament business. In return for promises, he gave Hitler his press, radio, and news agency for propaganda purposes.

When the steel trust and Hitler came into power, Thyssen, according to Henri, had six objectives: to gain control of Gelsenkirchener; to save the coal and iron syndicates and the industrial system; to eliminate rivalry from Catholics and Jews; to smash the labour unions, then reduce wages; to increase the chances for inflation *à la* Stinnes of 1918-23; and to institute the old German imperialist policy for the benefit of the Ruhr steel, coal, and munitions interests.

Several of these objectives have now been reached. Thyssen has Gelsenkirchener, he controls coal and iron, he has saved the German industrial system, he has eliminated the Catholics and the Jews, he has smashed the labour unions, and his plan for re-

armament has won the support of Mussolini and other powers. There has been considerable expropriation of Jewish and Catholic property. Oskar Wassermann has been ousted from the Deutsche Bank, and others face a charge of corruption. "Thyssen can dictate wages. . . . Armaments are being prepared; Thyssen provides the steel. . . . Thyssen wants a war, and it looks as though Hitler may provide him with one," concludes Mr. Henri.

The first fund for Hitler was obtained in Nuernberg in 1923: about \$20,000 for the Beerhall revolution which ended with Ludendorff facing the police with his hands high in surrender and Handsome Adolf hiding in the home of Ernst Hanfstaengel, a German-American art publisher who had returned to Munich. After 1923 Hitler preached the destruction of the Krupps, the Thyssens, the Kirdorffs, Mannesmanns, Borsigs, and Siemenses, the industrialists and bankers of Germany, but these same persons were among the first to put the brown shirts on the backs of the Fascist marchers. German friends in Holland, Switzerland, Czechoslovakia and the United States contributed to the Fascist fund.

But the German armament, or rather, rearmament, industry has been important in Hitler's march to power. Thyssen, Hugenberg, Flick, Voegler and their colleagues in the steel and coal trust are not only the suppliers of the present German army and navy, but the potential builders of a great militarism. Krupp von Bohlen-Halbach, head of the Employers Association of Germany, got that organization to pass a resolution to contribute to the Hitler German Business Fund and the Nazi party. The tax is five marks in the thousand on all salaries and wages paid, minimum six marks. The firm of Pintsch, which is affiliated with Vickers, was a large contributor to Hitler campaign funds. But more important still is the fact that directors of the Skoda cannon-works in Czechoslovakia have been among the largest financial backers for years. It is this contribution by a company affiliated with Schneider which has caused the persistent reports that French industrialists for many years have been active supporters of Hitlerism.

The recent approval by Mussolini of considerable German rearmament (including a professional army of 300,000, three

times the present) and support from certain French and British industrial quarters confirm the report that the armament interests which have opposed the terms of the Versailles Treaty (which provide for Allied disarmament) are succeeding in their plans for German rearmament. One of the first to draw attention to this plan was August Abel, leader of the Young German Order, a rival of the Steel Helmets, who more than two years ago declared that "we have learned from an absolutely authoritative source that the masters of the French heavy industry have come over to the idea of German rearmament in their own interests, and because of this fact public opinion throughout the world demands that the Disarmament Conference yield some success no matter how small, and in particular that the enormous difference between disarmed Germany and a France that is armed to its teeth be remedied a little. Of course, German rearmament would be rather limited at first . . . the masters of French heavy industry will investigate Germany's demands for the technical motorization of the Reichswehr, the motorization of the cavalry, and so on. There is even talk of giving Germany the right to build heavy artillery, and an increase in the size of the Reichswehr is also under consideration." A French provincial journal, *l'Eclairneur du Soir* of Nice, added in 1933, "people agree that the presence of Hitler in power, provided he is solidly backed up by a group of generals, as is the case, guarantees a long period of progressive armaments from which business cannot fail to profit."

Members of the Comité des Forges have frequently expressed themselves in favour of more German armaments. Hitler has given them the reason satisfactory for all their colleagues: Bolshevism has always been on the verge of overwhelming Germany, and only guns can stop communist "boring" from within and without, and the spread of Marxian propaganda.

Von Papen, like Rechberg and other big German industrialists, has always belonged to the faction which wanted coöperation with the France of the Comité des Forges. A military and economic alliance, the logical marriage of German coal and French iron ore, domination of Central Europe, have been the program of the Rechberg-Loucheur negotiations. Von Papen has personal as well as political interests in an entente. He is the owner of extensive works in the Saar Valley and in Westphalia. His wife is the

daughter of René von Boch-Galhau, proprietor of Villeroy and Boch, ceramic-manufacturers, in the Saar. Frau von Papen is related to the Luxembourg industrialist family, Pescatore, and the Calhyau and Fabvier families, both members of the Comité des Forges.

But the support the Hitler movement has obtained from Skoda and Comité des Forges armament-makers and Fascist enthusiasts in America is infinitesimal compared with the funds Thyssen and the Rhine-Ruhr industrialists have raised. And inasmuch as the huge corporations which have backed and made Hitler have themselves gone through disastrous periods, they have had to obtain their money abroad. Thus it has come about that the gold which made possible the Hitler march to power has been American bankers' gold.

Of the \$200,000,000 in bonds listed in New York as having been issued by Dillon, Read and Co. for German clients in the past ten years, about \$124,000,000 has been poured into the Gelsenkirchen Mining Company and the United Steel Works, the familiar Gelsenkirchener and Vereinigte Stahlwerke controlled by the dictator of West Germany. Forty-eight million dollars was floated for the Siemens und Halske A.G., another splendid supporter of Hitler, and the Ruhr Gas Corporation got \$12,000,000. How many million marks came to Hitler out of Dillon's millions of dollars, only the interested parties can tell.

Clarence Dillon has sold the American people about \$1,400,000,000 in Japanese, Dutch, French, Brazilian, and German bonds. At the Pecora investigation the president of Dillon, Read & Co. referred to himself and associates as "conservative bankers." Clarence Dillon is known as a shrewd typically Yankee trader.

Mussolini organized the Fascisti in 1919, using part of the fund of a million lire which he had collected from patriotic Italians, mostly resident in America, for the support of d'Annunzio in Fiume. Alceste d'Ambris, Prime Minister of the d'Annunzian republic, later accused Mussolini of disloyalty in not sending reinforcements, and improper use of money. The trial was held by the Lombardy Association of Journalists.

In 1920 the Fascisti, who needed millions for shirts, guns, cas-

tor oil, propaganda, raids on Catholic and socialist clubs, and lawyers to extricate them from jail, obtained the support of the manufacturers and employers associations of North Italy. The list of Fascism's financial backers includes:

Lega Industriale, Turin.

Associazione fra Industriali Metallurgici Meccanici ed Affini.

Confederazione Generale dell'Industria (of which Benni and Gino Olivetti were the leading figures).

Societa Ansaldo (the ship builders whose production was later subsidized at 900 lire a ton by Mussolini).

Fiume Oil Corporation (18,000 shares bought for 8,300,443 lire by the Fascist state).

Venezia Giulia Steel Furnaces (subsidized 35,000,000 lire).

Upper-Italy Hydro-Electric Works.

Fiat Automobile Works.

Ente Nazionale per le Industrie Turistiche (the tourist industry for whom Mussolini made the trains run on time).

Grandi Alberghi Association (the hotel men whose industry is one of the main supports of Fascism today).

In the industrial and metallurgical associations listed above are the Terni and the Pozzuoli companies, the Vickers-Armstrong armament firms; they were large contributors to the "march" on Rome, and they were large profiteers from the war orders which followed. The Fascist ideal to place a musket in the right hand of every schoolboy who holds a book in the left, has been a real benefit to the gun-makers. In fact, the investment in Mussolini has paid well. The standard of living has declined until, according to League of Nations official figures, it is the lowest of any country in Europe except Portugal, but there have been no strikes. The new aviation industry and the old armament-makers have done well since 1922. American bankers have issued 12,000,000,000 lire in loans to Italy.

Dictators have been and are being kept in power by American bankers; the wars between South American countries are financed by American money, American and European munitions have kept

the armies in the field, and American money has paid the armament-makers.

When in the spring of 1932 Senator Hiram Johnson introduced three bills to regulate foreign loans, he savagely attacked the financiers of despotism and wars. "If ever there was a racket imposed on the American people," he said, "that racket was the one imposed by the bankers on American investors." He showed that \$1,600,000,000 worth of bonds of sixteen countries had fallen to \$742,000,000 and that \$815,468,000 was in default. "The money madness of our people," continued Johnson, "the greed and even worse of international bankers, and the smug complacency and supine indifference of government have contributed to this unhappy result.

"It is utterly inconceivable that international bankers did not know what the best-informed public opinion of Latin-America was fully cognizant of.

"The bankers simply did not heed the facts. They gave no thought to the impoverishment of American citizens who trusted them.

"They acted, apparently, only for the profits. They were perfectly willing by their loans to maintain dictators in power, and to be party to the suppression of every natural right of citizens of South American republics.

"Indeed, they contributed the money in some instances for the destruction of liberty itself, and heavy upon them is the responsibility not only for the financial ruin of a vast number of American citizens, but for the destruction of personal and political rights in Latin-American states."

In South America loans were frequently made to go hand in hand with concessions, the Senator continued, blaming, among others, "the Mellon interests." He accused the Department of State with issuing statements that it had no objection to certain South American loans. The public had been "infamously exploited by the bankers." (This the State Department denied, pointing with pride to its warning against loans to Germany in 1926, the peak year of the Dillon loans to Thyssen and associates.)

Senator Johnson did not mention munitions loans. But in the Pecora investigation of Dillon, Read, and associates, almost two

years later, it was testified that of \$131,000,000 Brazilian and Bolivian bonds in default, the profit had been \$6,000,000 gross; Dillon, Read floated Rio de Janeiro bonds at \$97.75 which it had bought for 89; the Bolivian 1928 issue of some \$5,000,000 was made for the sole purpose of paying Vickers, Ltd., for munitions.

Half a million dollars in graft was paid in Peru, whose third series of bonds, \$100,000,000 is in default. The money was used by the dictator to keep himself in power, maintain his army, prepare the country for war by buying armaments. In his heyday he was called, by the American press, a dictator with economic forethought, "a [Theodore] Roosevelt"; "a South American Mussolini." In some respects he was all these things. His great contribution to modern economics was the plan of borrowing to pay back other loans, thereby increasing the national indebtedness from 80,000,000 to 600,000,000 *soles*. Like other dictators and would-be Napoleons, he was a seeker of power, vainglorious, and a lover of militarism.

In the Senate investigation it was proven that, despite knowledge of impaired credit conditions in Peru, a syndicate in which the National City Company, J. & W. Seligman, Blyth, Witter & Co., Guaranty Company of New York, F. J. Lisman & Co., and the Central Union Trust Co., participated, floated \$90,000,000 in Peruvian bonds in 1927 and 1928. (Leguia was overthrown in August, 1930.) Under cross-examination President Hugh L. Baker of the National City admitted that the prospectus offering the bonds omitted unfavourable reports which the company had in its files.

Senator Johnson's charge that American bankers kept dictators in power and that American money became the instrument for the suppression of liberty in many countries was amply proven in Cuba. When the *American Spectator* suggested that since the United States had declared its neutrality in the island revolution "the combined navies of the Chase National Bank and the National City Bank" should proceed to Cuban waters, it brilliantly epitomized a tragic circumstance.

Machado, Fascist tyrant of Cuba, was the paid agent of American banks and numerous industrial corporations. With the millions of dollars he received from the United States he was able for a long time to maintain his dictatorship. The Porra was his



G.P.U., his equivalent to the Hitler Stormtroops, the Mussolini "Ceca." It was government by terrorism, and American dollars bought the guns.

In the Pecora investigation of the Chase Bank, evidence was given that the Hoover administration knew of the improper use of \$9,000,000 by Machado. A government trust fund of \$12,000,000 had been reduced by him to \$3,000,000. He and other officials had received personal "loans" of several hundred thousand dollars from the American bank.

"Certain financial interests in the United States are unfriendly," said Grau San Martin, who was one of the short-term revolutionary presidents of Cuba in 1933; "they are sworn enemies of our people and are still conspiring their destruction, issuing false propaganda and fighting us step by step. . . . You know these American interests. They have brought havoc to their own fellow citizens and your depression has been their masterpiece. . . . We can no longer tolerate puppet governments born of monopolies and concessions, converting Cuba into a sweatshop for a privileged few."

Although the Roosevelt administration did not recognize President Grau, it did prevent the arming of a proposed filibustering expedition financed by the same American interests which were held responsible for Cuba's plight. One group had planned to launch a fleet of American bombing-planes from the Isle of Pines; another asked the State Department to remain "neutral" while it engineered a counter-revolution, backed by \$1,000,000 from a New York bank. But Cordell Hull refused to listen to this proposal, although it was made by a member of the Democratic National Committee.

With Franklin D. Roosevelt as President of the United States immediate measures were taken to end the golden era of South and Central American bond-peddling. While on the one hand the American buyers were characterized as "the greatest aggregation of suckers ever assembled," the bankers, on the other hand, reaped more criticism and hatred than their brethren in any country outside Soviet Russia.

Said Cordell Hull to the Pan-American Conference at Montevideo: "Permit me to say in the frankest manner that the international bankers have always obstructed the Roosevelt govern-

ment with all the forces at their disposal. They continue to do so.

In his biography of Willard Straight, Herbert Croly records that the Japanese in their war with Russia were partly financed by Edward H. Harriman and his bankers, Kuhn, Loeb & Co. The war was largely the result of rivalry in Manchuria. When peace was signed Harriman wrote a memorandum for an agreement with Marquis Ito and Marquis Katsura for a joint American-Japanese railroad in South Manchuria to tap the coal, timber, and mining resources. This deal fell through. Then Harriman had another plan for Manchurian exploitation. Consul-General Straight through the State Department conferred with Harriman, Schiff, Otto H. Kahn, and the Chinese, but this deal also failed.

In 1911 the Chinese currency loan of \$50,000,000 was issued. Straight, who negotiated the Manchurian bank agreement, and who was financial representative of J. P. Morgan, wrote in his diary that day, "Dollar diplomacy is justified at last."

In 1913 a six-power consortium planned still another loan for China. But Woodrow Wilson was President. In withdrawing support from the Morgan group he issued a statement of policy on investments in China, saying: "The conditions of the loan seem to us to touch very nearly the administrative independence of China itself, and this administration does not feel that it ought, even by implication, to be a party to those conditions. The responsibility on its part which would be implied in requesting the bankers to undertake the loan might conceivably go to the length in some unhappy contingency of forcible interference in the financial, and even the political, affairs of that great Oriental state. . . ."

Parenthetically, this is exactly what the Wilson administration was doing in sending American armed forces to guarantee the American bankers' loans in smaller lands, Haiti and Nicaragua, for example.

The Chinese needed much money for guns. Sums they failed to get in America they got in Europe. Before the World War, China floated a loan for £1,200,000 in Austria. The Niederoesterreichische Eskomptegesellschaft, the Creditanstalt and the Laender-

bank participated. Three cruisers, which China proposed to build with the money, were ordered from the Cantiere Navale at Montefalcone, the armament to be supplied by the Skoda works at Pilsen. The first two named were financially interested in the Cantiere Navale and one of the Creditanstalt directors was a Skoda director. The loan was the fourth, the total being £2,250,000, all being floated by either the banks or the armament companies.

In October, 1933, André d'Olivier, representative of twelve French capitalists, announced they were issuing a loan of one billion francs for exploitation of Manchuria. This action was a violation of the so-called Stimson doctrine of non-recognition which the League of Nations had adopted. The French munitions interests, it will be recalled, had supplied Japan with the guns for war on China, and Schneider had founded the Franco-Japanese Bank to finance the deal.

Of the relations of international finance and war the most important study in our time was made under the auspices of the Council of Foreign Relations by Herbert Feis, and published by the Yale University Press (*Europe, the World's Banker, 1870-1914*). This scholarly and temperate book supports with facts and figures, the frequently made but rarely proven thesis that the World War was largely the result of the machinations of international finance. It deals chiefly with the investment policies of Great Britain, France, and Germany, showing how economic motives directed national loans and political aspirations.

Britain had about £4,000,000,000 invested in foreign lands. It was almost all private money in private enterprises. But France, with 45,000,000,000 gold francs abroad, had directed the money from the *bas de laine* into political advantages in financing other countries. France and Russia became partners in 1887, after which a nation seeking a loan in Paris had to have the approval of both governments. France's policy towards China, Japan, the Balkans, Germany, was in this manner directed by Russian ambitions. It thus came about that Russia corrupted the French press and that French munitions-makers participated in the Russian loans.

Germany also used its few loans for furthering economic and political policies. Frequently Germany came into conflict with Britain in one field, France in another, notably in Italy.

The three policies of the great lenders resulted in numerous clashes. The Bagdad railroad, the fight for Persian oil between Russia and England, the Moroccan partition, the Chinese and the Balkan exploitation, were a few of the troubles caused by loans. Feis does not say that international finance directly caused the Great War, but the activities of international money "cannot be expected to contribute much to the support of international peace. . . . The financial interest in peace declines in the face of long-existing possibility of war."

Since the World War the United States has become the great international lender. Foreign investments have reached between \$15,000,000,000 and \$24,000,000,000, most financial experts favouring the larger figure. Some of this money has gone to finance European dictators and a lot of it has made and kept South American dictators in power. The loans given small countries have frequently caused civil wars and conflicts with the American marines sent to collect the interest. Considerable blood has stained American gold. The bankers have had complete freedom. The State Department openly vetoed but two loans, one to a German potash company, the other to the Republic of Santo Domingo, but it raised no objections to Cuban, Peruvian, Bolivian and other loans, although it knew what the money was to be used for.

The French government from 1918 to 1932 advanced 13,277,000,000 francs to other nations, almost every cent of which went for building up military alliances and outfitting armies and navies of its new allies. The pre-war clients were Russia (16,000,000,000 gold francs) Bulgaria, Mexico, Greece, Serbia, Turkey, and Rumania, all munitions customers. Post-war clients were Poland, Yugoslavia, Rumania, Czechoslovakia, Turkey, Bulgaria, Hungary, Chile, China, Japan, all munitions customers, and also the League of Nations loan-supported countries, Germany and Austria.

The French loan to Hungary has caused considerable scandal, owing to the charges made by Deputy Paul Faure, recently defeated for reelection in the Creusot district by a Schneider candidate. Hungary had obtained a loan from a Schneider bank which, said Faure, was kept secret for a while. When Schneider asked for repayment the Hungarian government was in distress. There-

upon, according to Faure, the French government advanced the Hungarian government the money which it turned over to Schneider. The intermediary was the Banque de l'Union Parisienne.

In the administrative council of this bank sit Baron André de Neufville, president of the council of Schneiders, Eugène Schneider himself, and Humbert de Wendel of the Comité des Forges. In another bank, the Union Européenne Industrielle et Financière, founded in 1920, are M. Schneider and four of his men. The financial press announced in July, 1920, that "The Union Européenne has been founded by Schneider et Cie. in liaison with the Banque de l'Union Parisienne. It has acquired the portfolio composed of stocks in enterprises in which this group has the majority or with which it is joined: Oesterreichische Berg und Huettenwerke Ges., Anciens Etablissements Skoda, Forges et Aciéries de Huta-Bankowa," and a more recent report adds the following: Banque Générale de Crédit Hongrois, Oesterreichische Credit-Anstalt fuer Handel und Gewerbe, Union Financière Polonaise.

Accusing Schneider of arming Hungary, the official enemy of France's ally, Rumania, and of France's Central European "protectorate," the Little Entente, Deputy Faure explained that the intermediary was the Crédit Hongrois, a Schneider institution. "I permit myself to underline this" concluded Faure, "because the Banque de l'Union Parisienne has an interest in the Banque Générale de Crédit Hongrois, this bank which has been under extreme suspicion for years in financing all the dirty needs of the Hungarian government, notably in its secret arming. The financial interests of this group were engaged in this bank during the Saint Gothard affair and the secret arms shipments to Hungary."

The Union Parisienne, it may also be added, is the chief financial instrument of the metallurgy interests; founded in 1904, it then had a big Belgian participation; in 1907 it founded the Banque Balkanique in Sofia, later became interested in the Banque Commerciale Roumaine, with the help of the Wiener Bankverein, and in 1914 the Union had among its directors one Oscar Lustgarten of Vienna. In short, the banks, like the armament-makers, were joined in a powerful international.

## Chapter Twenty

### Dictators and Governments as Gun-runners

**B**EFORE the war almost all governments kept up the pretence of disinterestedness in the armament business. Publicly it was a policy of *laissez-faire*. Gunmaking was a business, like any other, and there were no restrictions. No Prime Minister or President would admit he encouraged or directed the sale of munitions.

Today several governments coöperate with the munitions interests; they name favoured nations to arm and float loans for armaments; the Italians, moreover, engage in the criminal business of smuggling arms across neutral frontiers.

In dictatorships the armament ring is so closely allied to the ruling power and is so much a part of the ruling class that in this enterprise there can be little distinction between the gun-running made famous in American swashbuckling tales of the comic opera revolutions in Central America and the gun-running which prepares a great European nation for war.

In democratic governments, too, there is official participation in the arms business. When an American President specifies which party in a Central or South American revolution is righteous and which the villain, and gives his sanction to the shipments of arms to the one while prohibiting them to the other, that President may be said to participate in the private business of the rifle dealers.

From Afghanistan in 1931 came a sensational confirmation of governmental aid in arming. Nadir Khan seized the throne and called a convention to form a Parliament; he was accused of being a British agent and of having made a revolution with British aid. Nadir denied all charges, yet admitted having received a loan of £175,000 without interest, and a "gift" of the 10,000 rifles with which he won the field.

But the most notorious incidents of governmental armament-smuggling have been furnished an alarmed Europe by Mussolini.

In January, 1928, twenty-two freight-cars loaded with ammunition were found in Yugoslavia en route from Italy to Rumania,

and five car-loads of machine guns, originating in Italy and marked for delivery in Poland, were seized at the Austro-Hungarian frontier—thanks to the protests of Austrian Socialist labourers. The guns were not intended for Poland, but for Hungary.

Italy had been the ally of Germany and Austro-Hungary before the war, but the secret Treaty of London resulted in its ally-ing itself to Britain and France. Italy, therefore, became the friend of Rumania. The St. Gothard affair, as the 1928 arms discovery became known, therefore showed that Italy was arming friend and enemy alike, inasmuch as Hungary and Rumania are two of the most likely belligerent nations in the world. However, business is business. The Ansaldo, Terni, Pozzuoli, Alti Forni and other armament-makers of Italy paid heavily for the Fascist "march on Rome," and Mussolini has repaid by forcing the government to buy stocks, subsidize, and otherwise enrich these private companies. From 1922 on, Mussolini's government had participated in gun-running to Hungary, Austria, the Hitlerites, Bulgaria, and Rumania. In most instances the guns were destined for Fascist parties. But when there was profit to be made, guns were also sent to enemy countries and enemy factions.

The League of Nations was asked to intervene in the St. Gothard case and drew up a report. Italy and her customers attempted to suppress it, but, thanks to the Geneva correspondent of the old liberal *New York World*, this attempt did not succeed. January 23rd the report was published in the *World* with the following remarks:

"The *World* is in a position to tell of a similar traffic into Bavaria in order to help Adolf Hitler's Fascist German movement.

"The sender of the arms is the Italian society Commercio Universale de Ferramenta Ordigni. This is a blind behind which are factories working under control of the Italian government. Italian generals are interested in the society.

"Documents here show that the arms traffic has been going on ever since 1925, not only to Hungary and Bulgaria, but to Bavaria.

"One example is that in December, 1925, eleven freight-cars passed Bozen, Italy, for Rosenheim on the Bavarian-Austrian

frontier. The customs declaration indicated they were loaded with corned beef, but the Austrian authorities knew there was no preserved-meat factory at Bozen, and they opened the cars.

"The shipment was addressed to Marx & Co., a commercial firm in Rosenheim, from one Frumentti, a known Fascist chief in Bozen. The cars were loaded with small arms, guns, machine guns, and ammunition. Notified by the Italian consul, Frumentti drove to the frontier and without discussion paid a 27,000 lire penalty for a false customs declaration. The next day Fascist militia-men arrived in Rosenheim to learn whether Italian railwaymen had given away the secret.

"Similar cases have occurred since, the most recent discovery being that at St. Gothard."

The Little Entente sent another note to the League asking that the investigation be extended to Fascist gun-running in other countries, but pressure from Mussolini and from the British government held this matter up. The Rumanian Foreign Minister, Titulescu, went to Rome to obtain aid from Mussolini in hushing up the scandal.

The League, through its secretary, Sir Eric Drummond, warned Hungary not to destroy the evidence pending investigation. March 7th Hungary challenged the right of the League to interfere. General Tanczos declared the "infringement of Hungary's sovereignty is intolerable." Cheng Loh was acting president of the League that day. He repeated the warning to Hungary. General Tanczos ironically thanked him for his advice, adding that the evidence had already been scrapped in accordance with the anti-smuggling laws which Hungary prized so highly. No one but Briand seemed to mind. Briand insisted on knowing where the guns came from, for whom they were intended, and why they were destroyed. He knew they came from Italy, were intended for the Hungarian Fascisti, and had been destroyed to save the honour of those nations caught redhanded in a crime. When he said this, Vittorio Scialoja, Mussolini's man Friday at the League, not only defended General Tanczos, but attacked Mr. Loh for "cutting up so between Council sessions." An adjournment was voted until September.

Meanwhile to Drummond's letter Premier Bethlen of Hungary replied:



"The Hungarian Government tonight received with surprise your telegram. . . . The arms are to be disposed of as uncalled-for goods. The public auction sale is scheduled for tomorrow. . . . It is impossible to postpone this auction. I may remark that the regulations for investigation rights inherent in the League of Nations do not apply in the present case. However, the Hungarian Government as a courtesy to the Council's president will ask the purchaser of the goods to leave them untouched where they now lie."

The auction sale of the smuggled goods revealed that 2,000 machine guns, enough to equip fifty regiments of Hungarians, had been broken into 16,000 pieces of junk, which were sold for \$300.

Mussolini never denied Fascist complicity, but he ordered the Italian press to flay the League for interfering, support Hungary, and denounce as "cowards" certain small nations which were afraid of the arming of defenceless Hungary.

On June 7, 1928, the League of Nations sent a reprimand to Hungary, warning it this must not happen again.

In January, 1933, exactly five years after St. Gothard, came the Hirtenberg affair. Italy, Hungary, and certain Austrian officials had conspired to violate the Trianon and St.-Germain treaties and had been caught with the goods—50,000 or more rifles, and 200 machine guns. Evidence was given that in 1932 and previously the Fascist government had also smuggled arms to Hungary, but delivery was accomplished without interference.

The January exposure was made by Julius Deutsch, Socialist member of the Austrian Parliament and the *Arbeiter Zeitung*. Accused were the Italian government and more particularly one Captain Giuseppe Cortesi, the Hungarian government, which by treaty is denied the right to import arms, and M. Mandl and Prince Stahremberg, owners of the arms-factories at Steyr and Hirtenberg. The prince is the head of the Austrian Fascisti and a former friend of Hitler's. He was also the associate of Chancellor Seipel of Austria, and it is generally believed that this Catholic affiliation kept the Stahremberg Heimwehr from joining German Fascism. However, the prince is not averse to whatever profits there are in gun-making. Years ago he got a share of the Hirtenberg works for his aid in a deal with Hungary, and

since then he has been a great enthusiast for the rearmament of Austria.

The Italian arms were sent to Hirtenberg by train and were being loaded into vans for quiet transfer to Hungary when Socialist workingmen protested to Chancellor Dollfuss. The Allies immediately asked for information, and in February the British and French governments sent a note to Austria. The Italian press called it an ultimatum and with the approval of Mussolini's censorship office published the note despite the Franco-British request for secrecy. It read:

1. Conforming to its former promises the Austrian Government shall take all necessary measures to obtain the assurance that all arms deposited at Hirtenberg and at Steyr shall be sent back to the original sender.

2. In the case of this solution being prevented by the refusal of the senders the Austrian Government shall proceed to destroy the arms in question.

3. The Austrian Government shall furnish to the French and British representatives proof of the return or of the destruction of the arms. In both cases the federal authorities shall make this declaration under oath.

4. The Austrian Government shall institute an enquiry to ascertain whether a part of these arms have been sent across the Austro-Hungarian frontier. The results of this enquiry shall be communicated to the French and English representatives. In the eventuality of such an affirmative answer, the number of arms thus sent shall be indicated.

5. A term of two weeks, dating from the date of the present communication, is fixed for the execution of the measures indicated above.

The Austrian government at that time was negotiating a \$40,000,000 loan. Despite the power of Stahremberg's Fascisti, it was forced to accept, and ordered the guns loaded into freight-cars and returned to Cortesi "a private commercialist of Verona."

The next development was a scandal equalling the first. Berthold Koenig, head of the Socialist Railway Workers Union of Austria, was invited to a secret conference at which a bribe of 150,000 shillings was offered to the association. If he accepted he was to see to it that the railroad men moving the guns back to Italy took the wrong switch at a point indicated, so that the

train would run into Sopron, in Hungary. There the rifles and machine guns would be unloaded, the empty cases resealed, the mistake rectified, and the train would proceed to Italy, where the empty boxes would be delivered.

Herr Koenig took the matter up with the Socialist party leaders, and Dr. Deutsch, addressing the National Assembly, demanded that not only should the Austrian officials who offered the bribe be prosecuted, but that its source be made known.

Chancellor Dollfuss suspended the director of the state railways, Dr. Egon Seefahlner, for complicity in organizing contraband traffic in arms between Italy and Hungary. But more important is the complicity of governments. Seefahlner could not have delivered the guns to Sopron without the aid of the Hungarian government, and he could not have delivered the empty boxes to Italy without the knowledge and aid of the Fascist government.

Thanks to the continued pressure from Sir John Simon, all attempts to keep the arms in Austria for Stahremberg's use or eventual smuggling to Hungary were defeated, and at the end of July the British Foreign Minister announced the arrival of the guns in Italy.

On March 9, 1933, Jean Ybarnegaray gave the Chamber of Deputies details of the rumoured sale of Italian war airplanes to Hungary, in contravention of the peace treaties. Denials had been made by Budapest and Roman newspapers, but government officials had been silent. Following are extracts from the *Journal Officiel* of March 10th.

"The sixty airplanes delivered consist of the following: 18 single-seater pursuit planes, made by Fiat, 450 horsepower models C. C. 20; 30 two-seater observation and bombardment planes, Fiat, 650 horsepower, type C. C. 22; and 12 bombardment planes, Caproni model, the finest and largest machines of the Italian air force.

"The most extraordinary precautions were taken for their transport. They were sent to Hungary in several flights. May 29 (1932) the first squadron left Tolmezzo and landed at Szombathely. December 19 a squadron from Udine arrived at Varpalata. January 4 two squadrons from Tolmezzo left for Szeged, and January 19 two more squadrons made the same flight. The Capronis were sent in a double squadron January 20 to Szom-

bathely. These carried a complete load of bombs, a total of twelve tons of bombs, and also a gas apparatus.

"In ten months Italy has sent almost twenty tons of gas—exactly 195,000 kilogrammes, manufactured at Milan and Savona, where the war-gas factories, it may be said in passing, are working day and night. Gas was shipped by rail.

"These facts continue the *dossier* of the arming of the Central Empires by Italy, which began with the St. Gothard affair. . . . From 1928 to 1932 no evidence was obtained. But because no one was caught does not mean that the traffic has not been intense. . . ."

Addressing the Foreign Affairs Committee of the Czechoslovakian Parliament Mr. Benes, expressing the hope that the Geneva disarmament conference would succeed in controlling the world manufacture and shipment of armaments, declared that the smuggling plots "upset public opinion and provoke conflicts between nations, since the discovery of clandestine armaments as well as smuggling produce the conviction that only one or two out of a hundred contraband lots are caught and show important military preparations and the birth of new dangers."

The Little Entente, of course, was alarmed by Italy's attempt to make Hungary an armed ally. The Italian defence was strange. In a dictatorship where the press is a major instrument for public befuddlement it was possible for Mussolini to arouse the indignation of at least his own people over the Czechoslovakian and French shipments of arms to Yugoslavia, Rumania, Poland, and Greece. He proved that ten to a hundred times as great a quantity of armaments had been shipped by Skoda and Schneider to these countries; compared with this traffic, the Italian deals with Hungary were infinitesimal. The one point the Italian press was instructed not to mention was that arming of the victor nations is perfectly legal business, whereas arming of the defeated nations is criminal violation of the treaties.

The British Foreign Office was accused in 1913 and in 1914 of participation in the arming of foreign nations by British private armament companies. In March, 1914, the question of this national policy was raised by Philip Morrell, to whose interpellation Sir Edward Grey replied:

"I am informed that the Turkish government have granted a

concession to a combination of the firms of Armstrong and Vickers for the organization and reconstruction of the existing dock-yards at Constantinople. This agreement was the result of private negotiations between the Turkish government and the firms interested, in which His Majesty's government had no participation."

Mr. Morrell insisted: "Is it not a matter of interest to His Majesty's government when a British company enters into a contract for increasing the armaments of a foreign power?"

Sir Edward Grey replied: "Of course, any large contract secured by a British firm is in a sense a matter of interest to His Majesty's government. All I meant was that we did not initiate these negotiations, we were not a party to them, and it was not owing to any diplomatic representations or action of ours that the contract was initiated or carried through."

Mr. Morrell then asked: "Do His Majesty's government do nothing to discourage such contracts?"

Sir Edward answered: "We certainly do nothing to encourage other countries to increase expenditure upon armaments; but if, on their own initiative, they decide to enter upon such expenditure, we shall certainly do nothing to discourage contracts with British firms."

Despite this dialogue, liberal opinion in England was not satisfied. The participation of the British Admiralty in the Turkish fleet reconstruction, it was pointed out, was a direct opposition to the work of Sir Edward Grey and the Foreign Office in trying to act as the peacemakers of the Balkans, and therefore the peace-holders of Europe. No sooner had the naval missions arrived in Constantinople than all of Sir Edward Grey's declarations were nullified by the Vickers and Armstrong contracts. Simultaneously, the German war department, with the approval of the Krupps, sent a military mission to reorganize the Turkish army—and incidentally purchase German land cannon to coöperate with British naval cannon.

When Lloyd George was in power no attempt was made to hide the fact that the government was coöperating with private armament-makers in outfitting Lloyd George's ally and Sir Basil Zaharoff's brethren, the Greeks, in the war on Kemal Pasha.

Governments now as in the past aid in arming foreign nations when national policy and profits policies coincide.

## Chapter Twenty-One

### Armament Men and Patriotic Societies

TO PSYCHOLOGISTS, students of human behaviour, and experts in personal and national inferiority feelings may be left the explanation of the super-patriotic and ultra-nationalist movements, pre, pendant and post bellum. Here, as a matter of fact, will be recorded that gentlemen having armaments for sale and profiting from war and war preparations have been among the leading financial supporters of patriotic societies in all the armed countries of the world. The search for their motives need trouble no one.

Take for example the National Security League which Congress investigated in 1919. Its leading financial supporters were given as Nicholas F. Brady, H. H. Rogers, William K. Vanderbilt, T. Coleman Du Pont, Henry C. Frick, George W. Perkins, Simon and Daniel Guggenheim and the American Smelting and Refining Company, J. Pierpont Morgan and John D. Rockefeller.

Mr. Brady was the president of the New York Edison Company. Du Pont was the largest vender of powder in America. Frick's company supplied battleship armour. Morgan bought billions of dollars' worth of war supplies for the Allies. For three years Frick's Carnegie Steel Corporation gave the League \$50,000 a year.

The following judgment is taken not from an irresponsible radical sheet, but from the House of Representatives, sixty-fifth session, Report No. 1173, page 6: "If the curtain were only pulled back, in addition to the interests heretofore enumerated, the hands of Rockefeller, of Vanderbilt, of Morgan, of Remington, of Du Pont, and of Guggenheim would be seen, suggesting steel, oil, money-bags, Russian bonds, rifles, powder, and railroads."

The chairman of the American Defense Society was Elon H. Hooker of the Hooker Electro-Chemical Company, manufacturers of chemicals for warfare.

The most interesting phenomenon of all was the growth of

naval leagues in Germany, England, the United States, France, and Japan. First and most powerful was the German. The Flottenverein served as model for the others. It was sponsored and supported by the Kaiser, Tirpitz, the Krupps, and the other armament men. While German science and German commercial enterprise were combining to make Germany rich, the German Navy League forced the government to enter the naval race with England, giving as its reason the necessity for protecting trade on the high seas. In 1907 the Flottenverein passed a resolution saying there must be no limitation of armaments, but increased building. In 1909 Socialist leader Ledebour protested the League's propaganda in the halls of the Reichstag. But nothing could stop the navy patriots. They had their way and they got their war with England.

In 1914 England's attention was called to the fact that members of the Cabinet and officers high in the army and navy were armament shareholders and active members in patriotic bodies such as the National Service League and the Navy League. Four members of the board of directors of the Navy League were part owners of war plants in England, Italy, Austro-Hungary, and Russia. In one of its annual reports the League said: "Great Britain must consider not only the rapid development of the German fleet, but must also count on the advance of the fleets of her Triple Alliance members." Admiral Freemantle, head of an air-defence association, was simultaneously president of an airplane company. No less than eight presidents and directors of the National Service League were presidents and directors of munitions firms. Said Mr. Newbold:

"In this country as elsewhere it devolves upon us to expose the vested interests that lurk behind the 'patriotic' societies. Let us show the directors and shareholders of armament firms supporting and encouraging the advocates of the 'Nation in arms'; the builders of everybody's battleships fostering the Navy League; the patron of the all-Empire aerial defence campaign, Admiral Freemantle, now demanding 'provision for aerial defence under all conditions and at any cost'; then presiding over the British Deperdussin Aeroplane Co., estimating how many airships the Empire will require 'within the next two years.' . . .

"Morgan the financier now negotiating loans and orders with

the Allies, is Morgan of the American Navy League, and Morgan who stands behind the Steel Corporation, which controls William Cramp, the Union Iron Works of San Francisco, and the Carnegie Steel Co. Morgan works with Schwab of the Bethlehem Steel Works, which holds friendly converse with the New York Shipbuilding Co., the Fore River Shipbuilding Co., Harlan and Hallingsworth and Newport News.

"The falling away of orders which must inevitably occur when European nations once more become self-dependent, as will happen when the war is over, will cause such a depression in the American steel trade and machine industries as to make the demands for state expenditure absolutely irresistible. . . . The armament-manufacturers of Europe will once again and with increased prestige enter into competition on the world market and challenge Bethlehem and its allies."

This 1914 prediction has proven true. But in 1933 the British Navy League was as active as ever. Their representatives addressing the conference of the Conservative party in Birmingham were greeted with "storms of applause" when they advocated a bigger navy, army, and air force. Lord Lloyd, president of the Navy League, "played on the delegates' fears by comparing Britain's defenceless plight with the more fortunate condition in other countries." He said:

"We are particularly vulnerable to submarine attacks, yet we are extremely deficient in cruisers. In 1936, when the London Treaty ends, we are supposed to have sixty cruisers, but I estimate we are likely to have only thirty-nine.

"This country has no back door. Every other country has a back door by which it can be defended. The sea is our back door and if that is closed we must starve. To give the lead in disarmament is a very fine thing, but it is nothing but pure folly to go on disarming when everybody else refuses to follow our example.

"We are sick and tired of seeing the Conservative party pledged to these internationalist beliefs, these pacifist doctrines."

With a few changes of names, cities, and parties, the same speech could have been made by the present-day heads of the naval leagues of France or Japan or the United States.

The Navy League of the United States took form at a meeting of the New York Chapter of the Naval Order of the United



States at which Jarvis B. Edson, naval veteran of the Civil War, Captain Robert Means Thompson, graduate of the United States Naval Academy, and Hon. Herbert L. Satterlee, later Assistant Secretary of the Navy, were present. A call was sent out for the formation of a "society to insure the United States against the possibility of being invaded," and on November 20, 1902, the League was organized at the New York Yacht Club. At present sixty-eight members of the yacht club are life, and fifteen are annual, members of the League. In January, 1903, the incorporators met; the first officers chosen were: president, Hon. Benjamin F. Tracy; vice-president, Hon. William McAdoo; general counsel, Herbert L. Satterlee; secretary, George B. Satterlee; honorary vice-presidents, John J. McCook, J. Pierpont Morgan, Robert M. Thompson, Frank W. Hackett, John W. Weeks, Irving Scott, and Perry Belmont.

In July, 1903, the *Navy League Journal* appeared for the first time, with the following declaration of principles: "The Navy League is a volunteer association of patriotic men, women, boys, and girls, who, believing that ours is the greatest, freest, and happiest nation in the world, have banded together to uphold its dignity and increase its power to advance the welfare of mankind. . . .

"It is, therefore, the sole purpose of the United States Navy League to inculcate among all the people of every section of our common country a better understanding of this urgent need of naval expansion. This need should enlist the earnest support, financial and moral, of every patriotic American. . . . The movement . . . is neither political nor sectional, it serves no selfish interest, and has no axes to grind for anybody. It simply seeks to arouse popular sentiment in behalf of a broad-gauge policy of naval construction. . . ."

In this publication appeared the first list of "Founders of the League," as follows: J. Pierpont Morgan, General Benjamin F. Tracy, George Westinghouse, Col. John J. Astor, Charles M. Schwab, Col. John J. McCook, and Harry Payne Whitney. It also carried a list of twenty life members. Founders contributed \$100 and life members \$25.

In the October issue, under the headings "An Object Lesson for Germany" and the quotation "Unsere Zukunft liegt auf dem

Wasser" it was stated that the German irrevocable shipbuilding program was lessening the discrepancy in strength between the British and German navies. "Whether Germany takes third or second rank depends wholly upon the United States. . . . We may well adopt the favourite motto of the German Emperor which appears under the heading of this article."

In the December issue: "The Navy League of the United States . . . is founded on the same lines as the Leagues of Germany, Great Britain and France which are strong factors in their several countries. . . ." And on page 96:

"The German Navy League (Flotten-Verein) is just five years old. Nine months after its organization it numbered over 14,000 members, and counted no fewer than 51 associations, or branches, coöperating with it. Each member contributed about 80 cents per annum. . . . During the year 1900 the membership increased from about 247,000 to 566,000. . . . Without exaggeration it may be asserted that to the German Navy League, more than to every other influence beside, is due the fast and wholesome growth of the German Navy."

In 1904 the official journal listed among its nineteen "Founders of the League" the Midvale Steel Company.

In 1915 and 1916, during the American preparedness campaign, Representative Clyde H. Tavenner of Illinois proposed that the United States build its own armour-plant and make its own war supplies at new factories to be established in the Congressman's own state. He was opposed by military officials, patriotic societies, armament-makers and supported by Henry Ford. December 15, 1915, he delivered his first sensational attack on the Navy League, saying in part:

"What is this Navy League? Who founded it, and who are its directors? . . . there are nineteen men in the list of founders, and of those nineteen the majority were connected with concerns and establishments which, through interlocking directorates, connect in turn with manufacturers of war materials and things which go into war materials.

"Now I come down to the officers of the Navy League today. The president of the League, Col. Robert M. Thompson, the gentleman who was unkind enough to threaten to sue me but not kind enough to do it, is chairman of the board of directors of

the International Nickel Co., the business of which, according to the *Wall Street Journal*, has been very much improved by the war. . . .

"Colonel Thompson, as president of the Navy League, was a happy selection indeed, because the steel, nickel, and copper interests, all of which will profit handsomely through war and preparation for war, interlock beautifully through him and his International Nickel Co. W. A. Clark, the Montana 'copper king,' is president of the Waelark Wire Co., and Colonel Thompson is one of his directors on that corporation. Then, too, Colonel Thompson is president of the New York Metal Exchange.

"Colonel Thompson's International Nickel Co. also interlocks with the Midvale Steel & Ordnance Co., W. E. Corey being a director of International Nickel and president and director of the new Midvale corporation, which was organized recently for \$100,000,000 especially to handle the growing war-trafficking trade, and is one of the largest war-trading firms in the United States. Mr. Corey only recently retired from the presidency of the Carnegie Steel Co. and from the board of directors of United States Steel. One of the underlying concerns of the new Midvale company is the Remington Arms Co., which has a contract to manufacture 2,000,000 Enfield rifles for the British government. . . .

"International Nickel also interlocks directly with the United States Navy Department, through W. H. Brownson, retired rear admiral, who is a director of the International Nickel Co. and on the payroll of the government at a salary of \$6,000 a year, which is three-fourths full pay. *Who's Who* for 1914-15 gives Admiral Brownson's address as 'Navy Department, Washington, D. C.' Admiral Brownson is, no doubt, of more value to the International Nickel Co. in Washington, where he comes into intimate contact with fellow naval officers, than he would be any place else. . . .

"The Navy League upon close examination would appear to be little more than a branch office of the house of J. P. Morgan & Co. and a general sales-promotion bureau for the various armour- and munition-makers and the steel, nickel, copper, and zinc interests. At least, they are all represented among the directors, offi-

cers, founders, or life members of or contributors to the Navy League. . . .

"Is it not a rather peculiar coincidence that among those nineteen patriots who stepped forth from all the millions of American citizens to save the Republic by advocating larger appropriations for battleships, every armour-making concern in the United States should be represented? And that the greater half of the nineteen patriots were connected with firms that would directly profit from such propaganda? And that most of those who were not directly concerned with such firms were connected in some manner with individuals or firms that would profit? . . .

"The navy leagues of the various powers coöperate with one another just as the armament interests do, and there is a reason. They *are* the armament interests, with large memberships of sincere, patriotic men and women and many of the most prominent citizens roped in through false pretence."

On May 3, 1916, Mr. Tavenner returned to the attack, again naming the nineteen men on the founders' list and alleging that almost without exception they were armament-makers. January 30, 1917 (Congressional Record, vol. 54, part 6, Appendix, Sixty-fourth Congress, second session, page 899), Mr. Tavenner made the following remarks:

"Supporters of Navy League, according to Sec. of Navy League, A. M. Dadmun, not interested in sale of war materials to the navy. But in Feb. 1904, issue of *Navy League Journal* gives 19 Founders of Navy League:

"Midvale Steel Company; up to date this concern has received contracts from Navy Dept. for armour plate alone which aggregate \$20,398,188.

"Charles M. Schwab, now chairman of board of directors of Bethlehem Steel Co., contracts for armour plate, \$49,153,309.

"J. P. Morgan (organized U. S. Steel Corp.) was Carnegie Steel Co. Armour plate contracts already \$46,612,492. J. M. P. accredited British agents in U. S.

"These are only three concerns in the U. S. that manufacture armour plate, and it is a rather peculiar coincidence that when the purely patriotic Navy League was coming into existence the names of men identified with each of these concerns should be

listed by the *Navy League Journal* as 'founders.' These three have orders for munitions, submarines, and other supplies from Army and Navy Dept. totalling another \$100,000,000. For armour plate, average price paid this ring \$439.95 per ton. Have been 10 official estimates by government officials as to cost of armour plate in a government factory. Average is \$251 per ton. \$439 minus \$251 times number of tons 264,039 and it becomes difficult to believe backers of Navy League will not profit.

"Harvey Steel Company owned patent on all armour manufactured or owned patent on steel hardening process. S. S. Palmer, its president, and Benjamin F. Tracy, its attorney and also ex-Secretary of the Navy, were founders of Navy League.

"Nickel Trust represented by Robert M. Thompson, chairman board of directors, International Nickel Co.

"Other founders, Herbert L. Satterlee, brother-in-law of J. P. Morgan; George B. Satterlee, rep. of Krupps-Bruson Iron Works of Germany;

"Clement A. Griscom, later director U. S. Steel, Wm. Cramp Ship and Engine Bldg. Co., Electric Boat Co., and other Morgan corporations;

"Robert S. Sloan, acquired stock from father in U. S. Steel, Canadian Car and Foundry, G. E., Illinois Steel;

"Anson Phelps Stokes, partner in Phelps, Dodge and Co., holders of large copper-mining interests;

"Jacob W. Miller, fellow director of Morgan of N. Y., New Haven and Hartford R. R. Co.;

"George Westinghouse, president and director of 30 corporations;

"Harry Payne Whitney, then a fellow director of Morgan on numerous enterprises and now director of Guaranty Trust Co., a Morgan concern which is transfer agent for Westinghouse, American Car and Foundry Co., Atlas Powder Co., and other munitions firms;

"John Jacob Astor, then a fellow director of Morgan's.

"Not able to state how many who first backed it now connected. After first session of League after my Navy League references in Congress, J. P. Morgan's name disappeared from stationery as a director.

"Navy League went to great trouble and expense to defeat

me. It insists that because I advocate government manufacture, I am opposed to preparedness.

"Edward T. Stotesbury an Honorary Vice President, member of firm of J. P. Morgan and Co., director Baldwin Locomotive Works, Cambria Steel, Phoenix Iron Co., Riverside Metal Co., Temple Iron Co., Wm. Cramp and Sons Ship and Engine Bldg. Co.

"Robert Bacon, formerly of J. P. Morgan, now first director of U. S. Steel also director Navy League.

"George F. Baker, son of director U. S. Steel, now on Wall St., gave \$1,000 to Navy League, June 10, 1915.

"Henry C. Frick, director U. S. Steel and 10 other corporations or banks, one of vice presidents.

"Allan A. Ryan, director Bethlehem Steel—\$100.

"George A. Sheldon, director Bethlehem Steel and Am. Locomotive Co., vice president of Navy League.

"In 1915, 31 directors. By conservative estimate average fortune \$3,000,000. Can't represent mass.

"On January 19, 1916, introduced resolution to investigate the Navy League; referred to Committee on Rules; never reported out of Committee."

The Navy League and Col. Thompson were defended, and Mr. Tavenner, Mr. Ford, and the pacifists denounced, by numerous patriots during the period of so-called American neutrality. For example, Samuel Crowther made the usual charge that German money supported the peace organizations of the United States.

"Being a pacifist is now a business," Mr. Crowther wrote in July, 1916. . . . "The business was founded by Henry Ford last December when he pronounced that he was willing to devote his whole fortune to 'Getting the boys out of the trenches by Christmas' and to preventing the proper armament of the United States. When Mr. Ford dangled his millions, the professional iconoclasts and agitators—the anarchists, socialists, single taxers, charity-as-a-business workers, and the whole rag-tag, bob-tail crew that circles pariah-like about strikes and social disorders—at once found that they were ardently, shriekingly, for the cause of peace. . . ." Mr. Crowther then named Jane Addams, Dr. David Starr Jordan, Charles H. Levermore, Norman Angell, G.

Lowes Dickenson, numerous officers, members, and lecturers of the World Peace Foundation, Miss Lillian D. Wald, leaders of the Women's Party, such as Mrs. Amos Pinchot, Mrs. Crystal Eastman, Rabbi Stephen S. Wise, Rev. John Haynes Holmes, and Rev. A. A. Berle.

In the great days of munitions-making for the Allies, booming business and preparedness hysteria, the propaganda booklets of the Navy League circulated throughout the land. Pamphlet 32 of the 1916 series was entitled "Do Armaments Cause War?" and the answer was, "Armaments not the cause of war." The reasoning was as follows: "It is manifestly wrong to charge up self-interest, covetousness, injustice, and brutality to inanimate powder and shot. . . ." The causes of war were given as rivalry in commerce, tariffs, and colonization, reasons hardly sufficient to warrant millions of deaths. The second part of the booklet was more specific. It listed six causes, such as human nature, political mistakes, autocracy, the Sarajevo ultimatum, and the violation of Belgium.

In Pamphlet 80, however, one of the strangest confessions ever made by a patriotic body can be found. Under the heading "The Navy League Believes" the first statement is: "That most modern wars arise largely from commercial rivalries." It is practically a quotation from Karl Marx and in 1921 was again proclaimed by Lenin. But the Navy League would make this a reason for more warships, because it continues with its "beliefs":

"That we are now seizing the world's trade.

"That following the present war will come the most drastic commercial readjustment and the most dangerous rivalries *ever* known.

"That the United States will be the storm centre of these disturbances.

"And that, consequently, it is our duty to guard ourselves against these dangers while there is yet time."

Another amazing statement, amazing for 1916, which found the armed nations at war and the disarmed nations peaceful, was "Strong armaments by pacific nations prevent war." As for the traffic in munitions, the Navy League, whose supporters were still the gentlemen who were making money out of the general

European bloodshed, showed its position by issuing the speech of Charles Noble Gregory, A.M., LL.D., before the convention of the American Bar. "I am here," said the learned doctor—and the Navy League spread the word—"to advocate one source of safety, and that mechanical, and not picturesque or heroic, namely that the business and labouring men of this country be allowed to freely manufacture munitions of war and freely vend and export them to all, except the enemies of the United States.

"I claim these rights for them because they are lawful, because all nations have agreed to them, and far more because they conduce to the warfare (Note:—a typographical prophetic mistake—the learned jurist had said 'welfare' and the typesetter should be analyzed by Freud) not only of our own country, but of mankind, and are therefore politic and right."

The Navy League was also author of the statement that "it is not the armaments themselves, or any particular development of them that lead to war. The present war is an example. . . ." The League, however, could not then know that Sir Edward Grey, General Pershing, President Coolidge, and other generals and statesmen who have not yet been accused of treasonable pacifism, would one day say exactly the opposite. But in preparing an essentially pacific and idealistic nation for a war in which a hundred men had a great commercial interest and a hundred million none whatever, this was the right kind of propaganda to give the potential troops of 1914 to 1917.

The super-patriotic societies held the field from 1915 to the 1920's, from then on they shared it with the Ku-Klux Klan until about 1925, and with the Bolshevik-baiters until 1929, when the economic situation collapsed and the first annual report of the Five-year Plan made it transparent that something was happening in Russia outside of famine, terrorism, and nationalization of private property. The Harding naval holiday meanwhile had turned into a cruiser-makers' holiday, and the attempt by Coolidge to stop the warship race was defeated by the super-patriots at Geneva in 1927. President Hoover, however, pressed forward to the London conference which aimed to stop the disastrous cruiser competition.

Immediately the naval leagues attacked. The British Navy League opposed parity in cruisers and the American Navy



League urged the defeat of the London Treaty. Reported the *Washington Herald*: "A smashing attack on the London Naval Treaty was fired by the Navy League of the United States yesterday on the eve of the special session called by President Hoover to consider the pact. Heretofore the League, reflecting the viewpoint of the high command of the American navy, has withheld judgment on the treaty, merely urging that its consideration be postponed until next winter to allow the American people an opportunity to study it. The statement, yesterday, however, issued by Walter Bruce Howe, chairman of the board, ripped into the treaty as jeopardizing American national security."

William Howard Gardiner, president of the Navy League, protesting a small cut in the navy budget, accused the President of "starving the navy," of a policy leading to "bigger and bloodier wars," of possessing "the most humanitarian of pacific intentions" which, however, caused the President to exhibit "abysmal ignorance of why navies are maintained."

President Hoover accused the Navy League of "distortion of fact; indirect campaign of misinformation." He ordered that the sample speeches which the League had sent out to admirals to deliver throughout the country on Navy Day be countermanded as propaganda containing controversial matter involving ratios, tonnage, parity, building plans, and the like. He also created "a committee including members of the Navy League, to whom agencies of the government will demonstrate these untruths and distortions of fact." This committee reported that Gardiner published tables of figures "obsolete at the time the statement was issued. . . . Mr. Gardiner's statement contains many inaccuracies, false assertions, and erroneous conclusions."

The American nation joined in this great battle. The League met, and with only one dissenting vote, that of Henry Breckenridge, upheld its attack on the President. The executive committee then included Mr. Howe, T. Douglas Robinson, Ogden Reid of the New York *Herald Tribune*, Henry Cabot Lodge, N. M. Hubbard, James W. Wadsworth, Arthur Curtiss James, Nelson Macy.

Representative Burton L. French, chairman of the naval subcommittee of the Appropriations Committee of the House of Representatives, declared that the question was "larger than the

Navy League"; it was, whether the Treasury should be turned over "to exploitation of those who have personal ends to serve—navy-yards and shipbuilders, aircraft and munitions manufacturers. . . ." Senator Arthur Capper of Kansas said ". . . the Navy League includes in its membership those who sell steel and others commercially interested in the profits from armament building. These have a selfish interest to override their loyalty to their country and their own regard for the truth. The fact is, we have had this same kind of a fight from the Navy League—false statements, misconstructions of government reports, half-truths—every time we have tried to hold down expenditures for the navy to a reasonable limit. . . . The pity of it is that in the past the Navy League has imposed on the public, especially along the seaboard, as a patriotic organization. The country should be grateful to President Hoover for having torn off its mask and shown it to be the greedy commercial organization that it is—seeking to make excessive profits from the government for steel and shipbuilding companies under the plea of super-patriotism."

Journalists pointed out that the naval leagues in various countries were war-makers; that the German League with its 900,000 members of 1914 was one of the most important factors in plunging the nation into conflict, that the British League opposed various plans for better understanding with the United States by refusing parity at sea, and the enthusiasts of the Japanese League assassinated Premier Hamaguchi because he supported the London Naval Treaty. In the Mare Island Navy-yard dispute during his incumbency, Secretary of the Navy Daniels had said of the Navy League it was "an enemy of the country."

Although the League upheld the actions of its officials, there was a complete change in command the following year. Nathaniel Mead Hubbard, Jr., of Chicago and Denver, was elected president. The vice-presidents are Messrs. Macy, Reid, John Constable Moore, Mrs. Robert Z. Kelley, and Mrs. James Carroll Frazer. Mr. Macy is also treasurer, D. N. Burnham, assistant, and Harold C. Washburn, executive secretary.

The armament-makers no longer figure as "founders" of the Navy League.

In the 1934 prospectus which Mr. Washburn has supplied the writer there still appears the slogan of Theodore Roosevelt, "The

destiny of America is on the seas," a paraphrase of the disastrous statement of the Kaiser which had so much to do with the World War when it became a national policy. The statement is made that, "essential as aviation has become, it does not and cannot replace the inherent and indispensable fleet requirements embodied in capital ships . . ." a statement which has been questioned by Admiral Scheer and other great admirals and by Major-General Swinton of Oxford, and entirely denied by Brigadier-General Groves and other noted military and air commanders. The statement is made that "our prosperity at home depends upon our trade abroad" and "the philosophy of sea power cannot be too strongly or too insistently called to the attention of our people." The *raison d'être* of the present League is thus stated: "When the President does not favour an adequate Navy and Merchant Marine, Congress usually shows inertia unless influenced by aroused public opinion. . . . Sound public opinion on naval affairs must rest upon nation-wide information. . . . Such dependable, adequate, and timely information, however, issued freely, with frank comment, by the Navy League, a disinterested and non-partisan organization of citizens, wins the interest of editors and gets national publicity."

As regards armament-makers' control of the League, Mr. Washburn made the following statement:

"The Navy League's officers and directors are civilians. With the exception of two appointed officers, they are elected, and serve without pay. Neither active nor retired naval officers (except a few retired officers admitted before revision of the by-laws) are eligible to membership.

"Shipbuilders, munition-makers, and those having a dependent financial interest in naval construction or the manufacture of munitions, are ineligible as members or as contributors.

"The Navy League exists solely to give to the American people, through the press, in signed statements, accurate and current information and matured comment on naval and maritime affairs."

The president of the National Marine League of the United States of America is another supporter of the idea that the chief purpose of the navy is to safeguard American foreign trade. In

a work frankly called *The Blessings of War* president P. H. W. Ross states: "It is often difficult, however, to separate material gains from spiritual. While our material purposes are now submerged in a great desire to serve humanity at whatever cost, the war is cleansing our system and forcing us to increase our efficiency and our productivity. From this quickening of our national consciousness much material gain is certain to result.

"Already vast opportunities for the increase of our wealth and the extension of our influence have been opened by the war, and in order to seize them we have begun to correct pernicious errors, change obsolete methods, and fill long-standing omissions. Jenghiz Kahn was the indirect cause of the extension of commerce between Europe and Asia; and Kaiser Wilhelm with his thirst for world dominion is the indirect cause of a new development of commerce in which America may be expected to take a leading part."

In American naval campaigns since the war the German bugaboo has been replaced (because Germany has lost its navy and Russia has not yet built one) by the Japanese and British bugaboo. Rear-Admiral Clark H. Woodward of the Navy General Board in 1934 told the Women's Patriotic Conference of National Defense that religious bodies, peace societies, and pacifist councils are often under the influence of British and Japanese anti-preparedness propaganda. "Because of our naiveté in world affairs and diplomacy," said the admiral, "foreign governments have taken full advantage of our country's fertile fields for sowing propaganda seeds. There exists today a vast and highly organized propaganda, conducted largely by foreigners within our gates, aimed at tariffs, immigration, foreign debts, shipping, and national defence.

"It is a strange fact when every bill is introduced in Congress to increase efficiency of our armed forces, particularly the navy, powerful organized and arrogant opposition immediately sets to work to defeat it.

"When President Roosevelt last year authorized NRA funds to build our navy toward treaty strength, the reactions of Great Britain and Japan were immediate and loud. We were accused of starting a building race. Nothing could have been farther from the truth. Foreign propaganda had begun to work."

The newest civilian organization formed to advocate national

security through government purchase of more armaments is the Air Defense League, of which Colonel Samuel Price Wetherhill, Jr., of Philadelphia is president, and Jay Cooke vice-president. It admits having approached more than fifty members of Congress and obtaining assurances that a bill will be introduced for the re-creation of the Aircraft Board. Colonel Wetherhill favours a modern and superior air force. The organization states that membership is limited to persons who have no connection with the manufacture or operation of airplanes and their accessories. Apparently Congressman Tavenner's 1915 remarks are still reëchoing among the patriotic societies.

But the spirit of that day is not dead. The voice of the manufacturers is heard in the land. Pacifists, notably preachers of the Gospel, are warned by the *Pennsylvania Manufacturer's Journal* (April, 1931) :

"It is a matter of great surprise to find so many supposedly intelligent American citizens willing to preach treason against their country by advising against national defense. It is interesting, if not pleasant, to contemplate the number of telegraph poles that would be adorned by white cravats, reënforced by hempen neckties, should another war be declared—which, may Heaven forbend—to test the 'loyalty' which does not appear to spell loyalty to this nation, notwithstanding the popularity of the slogan. The event of a war and the active participation of the clergy against national defense, to which so many have pledged themselves, would give us a brand-new national sport—*gunning for clergymen*.

"It is regrettable to read such replies from intelligent citizens at a time when wild men are threatening revolution because of temporary economic conditions, and the gaunt ghost of communism is stalking through the land; when the black-souled sons of Red Russia are threatening to overturn the greatest and justest government ever known on earth, and to destroy the priceless legacy left us by our noble Revolutionary sires."

The above is the voice of that other Bethlehem, in Pennsylvania.

## Chapter Twenty-Two

### Today: The Armament-makers' New Weapons

○ IN THE morning of May 22, 1928, there was an accidental explosion in a factory owned by Dr. Hugo Stolzenberg, situated on the outskirts of Hamburg. A thick cloud of phosgene spread along the floor and escaped into the city as the employees ran screaming from the works.

As the gas passed over shrubs and plants and trees, they withered, and where it caught a dog or a horse, the animal fell panting for breath and died. Men, women, and children, taken unaware in the streets, in the fields, in their homes, were gripped by convulsions and they too died. Police and firemen tried to fight the cloud with helmets and with water and ammonia, but the city was saved from a horrible fate when the breeze shifted and blew the phosgene into the fields.

Hamburg had a mild foretaste of the next war. The tank which exploded was destined for Russia and it contained the known war-time gas, not the newer gases invented in 1918 and never used, or the still deadlier more subtle, odourless, and colourless gases which the great nations have manufactured more recently. The armament-makers have prepared wonders for the next war. They have gases for which no mask is useful, and assure the world that for the first time in history it will be able to annihilate the entire civilian populations of all the large cities within reach of airplanes. Death will be sprayed from the air over trenches and cities indiscriminately and no one will escape.

For certain nations gas has become the first factor in military preparations. At no time in modern history have governments and armament-makers been so closely united as in the production of poisons for war purposes. In the United States, reserve officers are attached to almost all the gas-making plants, and Edgewood, Maryland, which cost \$45,000,000, has within its walls, according to Arthur J. Gillian, general secretary of the Chemical Workers Union, 218 manufacturing buildings, 15 miles of macadam railroads, 1,400 tons of poison gases ready, and the capacity of making 800 tons a day "which means that Edgewood could pro-

duce in two months more poison gas than the Germans used throughout the war."

When the Senate refused to ratify the Geneva protocol prohibiting the use of poison in future warfare, states Dr. G. Woker, the Swiss expert who contributed the chapter on chemical and bacteriological warfare for that terrible and important book, *What Would Be the Character of a New War*, "the chief opposition to ratification came from the manufacturers and chemists, as is shown by the decisions of the annual meeting of the American Chemists' Society in Los Angeles in 1925. . . .

"It is not surprising that those who stand to gain by war should believe that chemical and medical research have waited for them to dictate their further possibilities of development. But the fact which fills one with the greatest horror and despair is that the American government could accept and transmit to the League of Nations the opinion that the cessation of experiments with poison gas and of the manufacture of more terrible poisons for the destruction of human life meant the end of medical and chemical research. This fact shows the uncanny power of the associations of armament interests which exist and spread propaganda for gas warfare in the United States, Poland, Soviet Russia, etc., under such titles as 'Friends of National Chemical Defence.' . . . Everything, in fact, is 'national defence,' nothing but defence! The strange fact is that behind this patriotic idea of national defence there is the international association of the armament industry, so that national defence by chemical methods at the present day, when the capital for armaments in all states is so inextricably linked together, means that the German, French, English, Italian, Swiss, and American chemical industries, including the heavy industries, are bound together by their common capital and collaborate to supply each state, under the auspices of its military authorities, with the materials for so-called national defence."

Moreover, Dr. Woker points out that the systematic gas propaganda today tallies in every detail with the competition in armaments before the World War "and must sooner or later lead to war . . . the similarity is so marked that the underlying causes must be identical. The cruel international organization of the armaments industry has learned many new devices since that time

. . . and has considerably increased its strength by including the chemical weapon."

That the next war will be waged with airplanes and chemicals—unless by some near-miracle the nations make the Geneva League operative—is not doubted by anyone. That it will end civilization is maintained by many of the leading statesmen and philosophers. What does the military believe?

Lord Halsbury, chief of the explosives department of the British War Ministry during the war, informed the House of Lords in 1928 that forty tons of diphenylcyanarsine would destroy the population of London. The air manoeuvres showed that of 250 attacking planes only 16 were spotted by searchlights, and that 234 could have killed several million persons.

Lieutenant-General Altmack in the German *Militär-Wochenblatt* states that "the population of a large area may expect destruction at any moment. The next war will take the form of mass murder of the civilian population rather than a conflict between armies."

General Amos A. Fries has informed the aviation committee of the House of Representatives that new gases have been invented fifty times as superior to any known in the World War. He also has stated that "in the past war more than 27 out of every 100 Americans killed and wounded suffered from gas alone . . . the use of gas in that war was a child's game compared with what it will be in the future." Dr. Hilton Ira Jones announced in Chicago, December 15, 1928, the invention of a new gas, cacodyl isocyanide, which "is a deadly poison and would destroy armies as a man might snuff out a candle." Lewisite, the invention of a Northwestern University professor, was supposed to kill if three drops came in contact with the skin. Professor Lewis's invention was prepared but not used in 1918. He later declared that exaggerated claims were made about it, but since then poisons many times as powerful have been discovered.

What do military men think about gas? General Pershing says: "Chemical warfare should be abolished among nations as abhorrent to civilization. It is a cruel, unfair, and improper use of science. It is fraught with the gravest danger to noncombatants and demoralizes the better instincts of humanity."

General Bradner, former chief of research of the Chemical



Warfare Service of the American Army, at a Congressional hearing said, "One plane carrying two tons of the liquid (a certain gas-generating compound) could cover an area of one hundred feet wide and seven miles long, and could deposit enough material to kill every man in that area by action on his skin."

The *Journal of the United States Cavalry Association* expresses the opinion that "the greatest menace of all is the hostile plane spraying liquid mustard. There is no practical method of protection against liquid mustard at the present date. Liquid mustard penetrates all clothing, rubber and leather and burns the skin with which it comes in contact. The burns are hard to heal, prone to infection. Its vapour is more poisonous than the vapour of hydrocyanic acid. . . . The hostile planes . . . within a few seconds [could] cover so effectively that practically every man and animal would be a certain casualty within a few hours. This would also be the case of any personnel or animals entering, passing through, or occupying the infected area. . . . Another feature of the attack is that a plane precedes the real attack, covering the target with smoke which enables the other planes to attack with but little danger from anti-aircraft fire from the columns or bivouacs."

The 1924 report of the League of Nations on gas and civilians states:

" . . . technically there does not appear to be any reason why poison-gas attack from the air or by long-range guns used in modern warfare, either on land or sea, might not be very effectively carried out against a great city. There is every reason to believe that in a future war aircraft would be much more numerous than in the last and they would be able to carry much heavier weights. However reprehensible such an action might be, there would be nothing technically to prevent them dropping large bombs filled with some heavy poison gas over localities essential to the political or economic life of any enemy country. . . . It is much to be hoped that some means of protecting the civil population from such an attack may be found. But it is right to point out that the problem is a difficult one. To furnish a whole population with gas masks would seem almost impracticable, and methods for collective protection have not yet proved efficient; . . . no complete protection could be secured. . . .

"It may be said that such a development of warfare would be too horrible for use and that the conscience of mankind would revolt at it . . . an unscrupulous belligerent may not see much difference between the use of poison gas against troops in the field and its use against the centres from which those troops draw their sinews of war.

" . . it is, in the opinion of the Commission, essential that all nations should realize to the full the terrible nature of the danger which threatens them."

To the foregoing military and expert opinion may be added the opinion of Lloyd George: "It is impossible to defend cities from aërial attack. . . . It is horrible to think what war in the air will mean"; and that of Winston Churchill, whom no one yet has accused of pacifism, that "poison gases of incredible malignity, against which only a secret mask (which the Germans could not obtain in time) was proof, would have stifled all resistance and paralyzed all life (in 1919).

"All the new poisons, inventions, discoveries are locked away for future use.

" . . henceforth whole populations will take part in war, all doing their part, all subjected to the fury of the enemy. It is established that nations who believe their life is at stake will not be restrained from using any means to secure their existence. It is probable—nay, certain—that among the means which will next time be at their disposal will be agencies and processes of destruction wholesale, unlimited, and, perhaps, once launched, uncontrollable.

"Mankind has never been in this position before."

Winston Churchill believes the world will commit suicide if it engages in the next, the aëro-chemical war.

It is true that immediately after the war an honest British scientist wrote a small book to prove that gas was the most humane of killing instruments, that it achieved the main objective of battle, that it put the greatest number of men *hors de combat*, and yet the majority of the soldiers stricken recovered. A decade has passed since that report was written. In that time chemistry has made such progress and chemical factories have so increased production that deadlier gases than any known have been pro-

duced and quantities made possible in a few days which surpass those used in the World War. The chiefs of all the armies know that gas will be hundreds of times as effective and deaths multiplied as many times.

Moreover, the new gases will have after-effects which will make life horrible for those who "recover." They will suffer from heart trouble, mental depression, lung troubles, eye infections, and general debility all their days.

It has been stated by military men who defend gas that the American army casualty statistics are proof that the new weapon is humane because only 1,421 soldiers died out of 70,752 gassed, but General Fries himself is authority for the statements that "unquestionably many of those who died on the battlefield from other causes suffered also from gas" and that when the St.-Mihiel offensive began "the German was so nearly completely out of gas . . . that practically no gas casualties occurred . . . and only a very few until after a week of the Argonne fighting." Captain Liddell-Hart's deduction from the British figures, that only one in thirty was killed by gas in his army, may be correct, but it has nothing to do with the certainty that a gas attack on London at night will take nine or perhaps twenty-nine in thirty lives.

Recently Professor Leonce Bert, research chemist in Paris, announced a discovery made while experimenting with a new chemical perfume. It is described as a liquid, a powerful poison, blistering, irritating to the lungs, eyes, and all parts of the human body even when kept covered; its ravages permit comparison with those of a true cellular poison; it is colourless; no mask can afford protection since the whole body is open to its attack.

Researches by a French medical association have shown that unless every house in Paris is rebuilt to include special oxygen-producing dugouts, it is absolutely impossible to protect the inhabitants from a gas attack. It may be generally stated that in an aërochemical attack nothing can save the civilian population—the question to be decided by actual warfare is whether all, the great majority, or perhaps only a large minority, will be killed.

It is now an axiom that the next war will begin where the last left off, and that all the inventions and discoveries in the peace-

time lull will be utilized. It will be a war of machinery, airplanes dropping fire and poison, gas, starvation, massacre of civilian populations, and unless the unprecedented happens and new weapons are barred by treaty or unexpected moral barriers, a war of disease germs.

It will be a war between peoples, not armies, just as ancient wars were fought between hired or professional soldiers and not nations. Instead of hand-to-hand fighting, or the throwing of spears, or mass fire which date from Valmy, 1788, or the accidental or incidental murder of civilians which marked the first World War, the next will without question be waged against the morale of nations, the bodies of its inhabitants. In the next war everyone, farmer as well as aviator, will be a combatant.

The so-called peace-makers know this as well as the war-makers. In The Hague, at Geneva, and at Washington pacts have been signed outlawing the new weapons. A deadly parallel can be drawn between the oaths of nations and the statements of certain individuals:

Hague Convention 1899. 27 nations: The contracting powers agree to abstain from the use of projectiles the sole object of which is the diffusion of asphyxiating or deleterious gases.

Washington treaty, signed by the United States, Britain, France, Italy, and Japan: The use in war of asphyxiating, poisonous or other gases . . . having been justly condemned by the opinion of the civilized world . . . (these nations) declare their assent to such prohibition.

Admiral Sims in 1922:

You can bet your life if we have another war we will use gas and we don't care how, when, or why.

General Fries:

Great Britain, France, Japan, the United States . . . each is building up a mammoth chemical industry as a solid basis for a successful war.

M. Politis, presiding at the League of Nations, and referring to the Washington Treaty:

The text has remained a dead letter.

The United States, promoter of the Washington Conference, has been the chief antagonist to chemical disarmament. Captain (later Admiral) Mahan refused to sign The Hague agreement, making three objections: that gas had not yet been invented, that cruelty has been charged against previous inventions, and

that it is illogical because mines are permitted to blow the bottoms out of ironclads at midnight, when sailors drown helplessly.

Despite the signature of the Washington agreement, the United States foiled the 1925 agreement of Geneva, thanks to opposition in the Senate, the best part of which came from the munitions and chemical-making states whose Senators and Representatives, as agents of big and good business, make it their first duty to protect the manufacturers who help their electoral campaigns.

Sims has been proven right, and so has M. Politis.

To the certainty of poison attacks on civilian populations there is the self-evident progress in airplanes. A new metal called "plass" or "aldur" has been invented which, it is claimed, makes planes almost invisible and gives them armour-plating against bullets; they are equipped with Maxim silencers and operated by radio. (If all these claims are exaggerated it is conceivable that the inventions will be made soon.) This will give armies a silent, invisible, automatic weapon for the dispersion of explosives and gas over metropolitan areas.

Among the gases with which experiments have been made is one that drives even animals insane. A small amount released among a flock of goats resulted in several of them beating out their brains against a stone wall. In the last days of the war, gas was used which caused the collapse of the blood-vessels, resulting in internal hemorrhages. As Doctor Woker puts it, soldiers drowned in their own blood. The description of these cases is sickening even to readers. All this murder, internal hemorrhages, madness, human disintegration, is fact, not propaganda. And all nations know that Grotius, who in the seventeenth century wrote *De Jure Belli*, was right when he said that once war is loose, all laws, human and divine, are violated because a state of war is sufficient in itself to permit the forces of the combatants to commit any crime. The world has progressed from chivalry to dum-dum bullets to gas. When the war spirit arises, and the next war comes and the degenerate madness of the mob mind is exalted by national patriotism and blessed by the church and ennobled by the press (a great part of which is owned by the armament-makers) and made ideal by the patriotic societies, no nation will hesitate to use the gas weapon.

## Chapter Twenty-Three

### Today: Germany Rearms; Munitions Boom

GERMANY is rearming. Coincident with Captain Anthony Eden's visit to Paris, September, 1933, to discuss the rearmament situation, it became known from semi-official British sources that the British government "through its own agents has now obtained evidence of the rearming of Germany. The evidence has been sifted by the departments concerned. It is considered to be sufficient to disprove any attempt by Berlin to deny the existence of warlike preparations, contrary to the stipulations of the peace treaty."

Germany is rearming with the approval of Mussolini, friend of the Terni, Ansaldo, Pozzuoli, and other Anglo-Italian armament companies and participant in the gun-running episodes in Central Europe. Mussolini has approved an army of 300,000 men, but Germany has at least 1,100,000 under arms today by all reliable neutral counts, and a proportionate amount in increased equipment. Today England and France are coming around to the German thesis it cannot remain disarmed in the centre of Europe.

Woodrow Wilson came to Paris in 1918 seeking disarmament; Clemenceau himself approved; at Versailles the Allies pledged gradual disarmament to follow the disarmament of Germany, and today with more men in the standing armies of the world than in 1914 and budgets surpassing any in history, the nations of the world are approving the rearming of Germany rather than any disarming by themselves.

Behind the scenes the armament interests have been active. Vickers advertises tanks in Germany, and the French armament industry approves a larger German army, while Mussolini becomes the champion of the Hitler idea. All disarmament conferences in sixteen years have failed to curb the munitions interests, and with the rearmament of Germany the European stage is set for munitions races unsurpassed in history.

The German chemical industry is prepared for gas warfare. It would take no longer than the seven or ten days required by

the American chemical industry to convert the German to a war footing. War gas, moreover, has always been manufactured in Germany, despite Allied supervision. When the Stolzenberg factory exploded in Hamburg, Deputy Kuenstler in the Reichstag proved that it had been producing gas for Russia under a contract signed in October, 1923, and that the German Reichswehr was part owner of that and other plants. Kuenstler proved that the German government had established the G.E.F.U., or society for furthering industrial enterprises, which operated with 70,000,000 marks provided by the War Department. The Gefu owned Stolzenberg's factory at Trotsk in the province of Samara, Russia, and also a military airplane works. A secret paper dated August 18, 1924, and signed General von Seeckt, commander-in-chief of the Reichswehr, was produced, which contained the statement, "I approve of the activities of the Gefu in all particulars." Kuenstler showed that in 1921 the Junkers company under an assumed name built 299 war planes in Russia, of which all but 60 were sent to Germany.

Within a week after Hitler's triumph in 1933, Air Minister Goering visited the Bayerische Motorwerke and gave it an order for 50,000,000 marks (taken from the 500,000,000 mark unemployment fund) for the construction of military airplanes.

At about the same time the British Labour party's official organ was informed that the Stolzenberg plant had increased its output of phosgene and that the heavy cannon works at Duesseldorf had begun the manufacture of the S.F.H. 13 type with trusted Nazi employees who were under military guard.

An investigation made by the French newspaper *le Journal* in several countries and Germany itself shows that the country is arming rapidly. The list includes:

"Tanks at the Linke-Hoffmann railroad-car factory in Breslau and at the Daimler-Benz automobile factory at Offenbach. Small arms at the Mauser sporting-rifle factory in Oberndorf, at the Polte iron-foundry in Magdeburg, at the Deutsche Waffen und Munitions fabrik in Berlin and Karlsruhe, and at the B.M.W. engine-plant in Eisenach. Cannon at Simson's rifle-factory in Eisenach and at the Pintsch gas-metre factory in Fuerstenwalde. Munitions at the steel-mills of the Dortmunder Union and of the

Deutsche Werke in Spandau and at the Polte iron-foundry in Magdeburg.

" . . . The Krupp works are again producing cannon. They have made tests on the Meppen artillery range of a new 42-centimetre Moerser and have tried out a heavy field howitzer in Jueterborg. Meanwhile Essen has been producing a whole series of special armour plates. For months Krupp has been purchasing from the Dresdener Schleifmittelwerken, which is controlled by the Commercial and Industrial Bank of Prag, many thousand tons of silicon carbide for hardening steel by a special process. The Rheinmetall works in Duesseldorf and Soemmerda, formerly the bitter opponent of Krupp but now controlled by him and the Reich, have just finished constructing a colossal cannon that is regarded as a miracle of armament technique in respect to calibre, range, and destructive power. . . .

"But it is in the sphere of the poison gas industry that Germany has especially applied this method of the possible immediate transformation of its factories, either in the event of a general war or of any particular war.

"Here is the chemical factory of the von Heyden Company at Radebuel, near Dresden. At the present time it produces saccharine and certain inorganic acids. Tomorrow it could produce as if by magic, thanks to the material at its disposal, a very mobile light gas, without smell or visible fumes and of considerable noxious power.

"At Hamburg-Billbrock the Billwarden Chemical Factory, whose principal peacetime products are chromium oxide and arseniate, is equipped for the production of arsenic-base asphyxiating gases.

"As to the firm of Gehe and Co. of Dresden, a large pharmaceutical chemist, its eventual rôle will be to put at the disposition of the Reichswehr and the air force a product which is able to effect radical cures for the sick and the strong alike—in the form of a poison gas in whose composition phosphorus plays a large part. . . ."

It is further claimed that the German chemical industry has developed more than 1,000 different poison gases and that the Stolzenberg plants are working three eight-hour shifts.

The German press has been instructed never to mention



Goering's activities in commissioning the air factories or their output. With gas and airplanes Germany, it is expected, will soon be as powerful as any nation in the world in waging aggressive warfare.

If, however, the reports of the French press are discounted for nationalist reasons, the facts remain that the German armament industry is prepared to arm the country from its branches and associated concerns in foreign countries. The leading factories are:

Switzerland. The Soleure Société Anonyme d'Armes de Guerre, heavy cannon, Krupp patents; the Oerlikon tool and machine factory, machine guns.

Holland. The Hollandsche Industrie en Handel Maatschappij Siderius makes cannon, being closely related to the Ruhr cannon industry. At Krimpen it administers the German war stocks which were shoved across the frontier at Armistice time. It was reported in October, 1933, that the return of this war material began when Hitler came into power. There is also a company formed by Solomon Vlessing and the German industrialist Ehrhardt, the day after the Armistice, for the purpose of making war supplies. In 1930 the company was mostly Dutch, but Ehrhardt interests were still considerable. Its management made the statement it sold to all countries, including Germany. The Nederlandsche Vliegtuigenfabrik is the Fokker company, closely associated with Vickers and American firms, which supplied Germany with the best plane made in wartime. The M.E.A.F. (Machine en Apparaten Fabriek) makes torpedoes at Utrecht and is one of the Julius Pintsch (Berlin) firms. Minimax manufactures flame-throwers. At The Hague, the representatives of Vickers, Schneider, Skoda, Krupps, Bofors and others vie for munitions contracts.

Sweden. The Krupps own a parcel of stock in the Bofors Ordnance and Drydock Co. which manufactures excellent cannon.

Italy. The Dornier airplane company has a branch factory.

Turkey. The Junkers have a branch.

Austria. Hirtenberg, the rifle-plant owned by Prince von Stahremberg and the munitions-works at Steyr are counted upon by Germany in case of war.

There is no shortage of man power in Germany. The present

army, officially 100,000, is many times that strong, and can count on the Nazis and the youth trained in arms. Estimates vary from 1,100,000 to 5,000,000 men available, the truth probably being more than halfway. Among the orders to the German press given by Nazi headquarters daily is one which declares "the impression must never be publicly created that the members of these organizations (referring to the storm troops and other unofficial military) pass through a period of instruction with the Reichswehr." But long before Hitler there was official proof that the Reichswehr trained a secret army, known as the Schwarze, or "Blacks."

Today it is known that if the so-called disarmament conference is reconvened in Geneva it will be a conference which will accept the thesis that Germany needs increased armaments for its national "defence." The prediction was made in January, 1932, by Herr Abel in these words: "Disarmament would represent a grievous loss to the armament industry. That is why we are going to see at Geneva the lackeys and straw men of the leaders of heavy industry playing an active part along with the politicians and the journalists. Of course, they will not figure as conspicuously as the statesmen and the representatives of public opinion, but they will be no less active in their work of sabotaging disarmament."

To which an independent French writer adds: "Meanwhile, the resignation of one government after another in the German Republic did not please the munition makers. The campaigns about German armaments were no longer being taken seriously. Real armament was needed, and it was then that Adolf Hitler entered the scene."

What does Hitler's rearmament program mean in dollars and profits? When Hitler quit the Geneva Conferences, Nazi Germany had an eight-year program involving the expenditure of \$1,213,000,000 gold. The terms offered by Sir John Simon, the so-called "no rearmament" program, would have meant the expenditure of \$650,000,000 gold. Heads or tails, the armament industry stood to gain enormously. Ironically, Mr. Streit recalls that under the Lausanne agreements Germany settled her billions of reparations for \$715,000,000 and later said it could not pay that; but it could find the billion for rearmament.

There have already been booms on the Berlin stock markets,

notably in airplane shares. Throughout Europe munitions stocks have proven good investments and annual reports show that the present armaments race is paying large dividends.

In 1931 Vickers-Armstrong opened showrooms at Vickers House, Westminster, London, Mr. Douglas Vickers taking the occasion to deliver the modern version of Undershaft's defence of the armament-maker. Said Mr. Vickers in the third person report of the *Times*:

"It might have been noticed that war material played a great part in the showroom. There were two reasons for this. War material was still a large interest of the firm, and there was less difficulty in showing such productions than the specialties of civil engineering.

"Anyone who went into the history of the artillery and technical side of the war would know that of the various types introduced with success those which were supplied by the constituent firms of Vickers and Armstrong played the largest part. He did not say this in disparagement of the royal gun-factories, but he thought a private firm had great advantages over a state factory. The private firm had to go into the world and meet competition, and they got to know in this way what was up against them and what they had to beat. This sharpened their wits.

"There were people who maintained that armaments should be taken out of private hands and who believed old stories about the influence which armament firms were said to have exercised in the past in the interests of war. There was not a shadow of truth in such stories. Armament firms were the most peaceful of people, and in their own interest did not want war, but only that we should be prepared for war. They felt it would be absolutely criminal to send out our men unless they were equipped and armed in the best possible way, and for that reason he thought the term 'a national asset,' applied to their firm during the war, could still be applied today. It was useless to expect the League of Nations to settle all quarrels, and a private firm making armaments was deserving of the support he claimed for it."

At the annual meeting of Vickers, Ltd., in 1932, when Sir Herbert Lawrence told the stockholders that Vickers depended largely on armament orders, a small scandal again involved the firm. The German *Militär-Wochenblatt*, which had been carry-

ing page advertisements of Vickers-Armstrong guns now had an offer from this British firm to supply Germany with "Vickers-Carden-Loyd Patrouille-Kampfwagen," or tanks, which the Treaty of Versailles specifically denies the defeated nations.

In reply to an interpellation in the House, the government replied that there was no exportation of British arms to Germany. The *Militaer-Wochenblatt* declared the advertisement was intended for military leaders of other nations. But *Das Tagebuch*—this was before its suppression by Hitler—said "There can be no commercial advantage of offering tanks in the manner of razorblades. . . . The only reason possible, and it should have been told to the interpellators, lies in the desire of the war profiteers to preserve the military spirit. All the war industries sustain each other mutually. The old fox, Zaharoff, knows well what he is doing when he subsidizes the *Militaer-Wochenblatt* by advertising: some day it will pay."

If Vickers today is not making hand grenades with Krupp patents, it has extended its activities otherwise. In Japan Vickers' subsidiary, Kabushiki Kwaisha Nihon Seiko-Sho, the Japan steel-works, is part of the great Japanese armament firm Mitsui, and has supplied the Japanese army and navy while Vickers, *via* another door, has been shipping war supplies to the Chinese for the present war.

Sir Herbert Lawrence, besides being director of the Bank of Rumania, is also director of the Sun Assurance Office, Ltd., the Sun Life Assurance Society—apparently he is in the business of both life and death—and is chairman of the London Committee of the Ottoman Bank. Major-General G. P. Dawnay, director of Vickers, is chairman of Sir W. G. Armstrong-Whitworth & Co., Ltd., and director of Financial Newspapers Proprietors, Ltd., and the Economist Newspaper, Ltd., which before the war took a savage delight in exposing the ramifications of the war industry and is now apparently in its control. General Dawnay's brother, Colonel A. G. C. Dawnay, C.B.E., D.S.O., oddly enough, is a member of the land commission of the Disarmament Conference of the League of Nations.

Between 1919 and 1931 Schneider-Creusot produced and sold 65,000 cannon to many nations. This was 120 per cent of the

production of the twelve-year period 1902-14. Fifty per cent of the world's cannon today are of Schneider origin. In 1932 and 1933, thanks to the Japanese and Chinese orders, Schneider re-employed 55,000 men. During the first six months of 1932 France exported 120,000,000 francs' worth of armaments compared with 85,000 for the same period of 1931. Only 10 per cent was sporting-guns and peacetime explosives.

China was the largest buyer. At the same time Schneider had offered the Japanese General Staff a sample lot of machine guns to try out on the Chinese to obtain deadly proof that they were better than British (Vickers) guns.

In the 1930's Schneider has armed or partly armed Mexico, Yugoslavia, Greece, Japan, Rumania, Turkey, Bulgaria, Russia, Argentina, Spain, Italy, China, Chile, Peru, Bolivia, Paraguay, Poland, Czechoslovakia, Hungary, etc. It is obvious that armament being made for the purpose of waging war, and war being held inevitable by the French and other European powers, any conflict will result in Schneider guns fighting Schneider guns, and almost certainly Schneider guns against French soldiers.

The financial ramifications of the Schneider industry are important. M. Schneider himself is one of the directors of the Banque de l'Union Parisienne which controls the Banque Générale de Crédit Hongrois of Paris and also the Schneider part of the Skoda works. In 1931 Paul Faure told the Chamber of Deputies of the relationship between loans and armaments and the banks. Turkey has had fifteen loans, the last in 1914, which helped the Turks make war on France. When the Bulgarian loans of 1906 and 1907 were floated Prince Ferdinand came immediately to Creusot and bought the Schneider guns which were later used against the Allies. There was quite a scandal in Sofia over this deal, the Sobranje finance committee refusing to ratify the large armament orders. At this moment the French government intervened in behalf of Schneider: if the guns were not taken the loans would be cancelled. The guns were taken.

"While Rumania is discussing a loan," continued M. Faure, "a military mission from Bucharest is buying guns at Creusot.

"Another financial matter likely to cause difficulties to the government is the loan to Hungary, the fact of which was unknown until it was discovered the other day by the Finance Com-

mittee of the Chamber. Investigation into the matter has shown that the Hungarian government had originally obtained a loan from the armament firm of Schneider at Creusot, and when the firm asked to be repaid the Hungarian government could not produce the money. Thereupon the French government lent the Hungarian government the amount necessary to repay the Schneider firm, which was transmitted to Hungary not by the Bank of France, but by the Union Parisienne, a bank in which the Schneider firm holds a controlling interest."

Furthermore, Deputy Faure continued, the directors of the Skoda works have been among the largest contributors for years to the campaign funds by which Hitler resurrected his Nazi party after the ludicrous Beerhall Revolution of 1923 and made it the most powerful element in German political life. "We find," concluded M. Faure, "M. Schneider arming Bulgaria, M. Schneider arming Turkey, Skoda supporting Hitler, Hungarian and Rumanian loans, Franco-Japanese, Franco-Argentine, and Franco-Mexican banks. This is all extremely suspicious."

The Polish Corridor, admittedly the worst spot in the world for its future peace, is being prepared for war largely through Schneider's finance program. The Banque de l'Union Parisienne is back of the new railroad from the Polish part of Upper Silesia to the new Polish war base, Gnydia, near Danzig. The Huta Bankowa, controlled by the Union Européenne Industriale et Financière, which in turn is controlled by Schneider, in 1930 backed this new Polish undertaking.

For Yugoslavia the Société anonyme des Ateliers et Chantiers de la Loire, which has bases at St.-Nazaire, of unhappy and muddy memories of the American army, and Nantes and St.-Denis, has built a naval base at Glavicina. This work was done under the name of the Société Franco-Yugoslav des Constructions Navale, whose vice-president is Theodore Laurent, who is president of the Forges et Acieries de la Marine et d'Homécourt, which controls the Chantiers de la Loire. Laurent, associated with Schneider and De Wendel, is the third largest armament maker in France, his companies being capitalized at a billion francs. The Yugoslav government has ordered two cruisers of 7,700 tons, four submarines of 600 tons, and auxiliary ships; one

large torpedo-boat destroyer from the Loire company and a destroyer and a submarine from the Gironde firm.

More recently Skoda has begun the manufacture of tanks, airplanes, and poison gas. Its nitrogen-works are at Marineberg and Asce, another chemical factory at Olomouc. It makes airplane engines in Warsaw and has a branch in Rumania.

The Anciens Etablissements Hotchkiss et Cie. is the present name of the armament works founded by the Connecticut inventor, Benjamin Berkely Hotchkiss, who manufactured cannon for the Civil War and was asked to come to France in 1870 to make bullets. Hotchkiss & Co. was founded near Paris in 1875. The present director-general and vice-president is Laurence Vincent Benet, commander of the Legion of Honor and leader of American society, such as it is, in Paris.

On March 5, 1932, the press carried two items: one reported a Hotchkiss order for 200,000,000 francs' worth of machine guns from Japan, and the other "the Cantonese welcomed the Japanese with rapid fire from their Hotchkiss guns."

In 1931 the Hotchkiss profits were 20,270,341 francs on the capitalization of 16,000,000, and June, 1933, it was reported at the annual meeting that although automobile manufacture was practically at a standstill, "in the field of automatic arms firing infantry cartridges, Hotchkiss has notably brought to a high degree of perfection its rifle-machine gun which during the course of particularly severe official tests has demonstrated its qualities of precision and resistance. Thanks to the qualities of these various materials and to the reputation they have won in nearly all countries, Hotchkiss has been able to register sufficient orders to keep its factories in activity and maintain the normal staff of workers."

From January through June, 1933, \$6,552,000 worth of French arms, representing an increase of 50 per cent over the first half of 1932, was sent to Central and South America and the Far East. Forty per cent of the artillery and cartridges went to China. Large orders also went to Japan, Argentina, Bolivia, Paraguay, Nicaragua.

With the World War budget about \$5,000,000,000 (gold) a year, and a large part of it spent for guns, it is obvious that the

armament business is good. In fact it is the only business which has not been hurt by the economic *débâcle* which began in 1929.

It will be better yet when German rearmament reaches its height and the world warship race, now in full swing, outdistances the 1935 Naval Disarmament Conference.



## Chapter Twenty-Four

### Today: The New Naval Race

"In the past the battleship was the backbone of the fleet, but I believe it is so no more. . . . The best experts agree that the result of anti-aircraft firing from a ship is negligible. In my judgment, it matters little whether the big ships now in the world navies are scrapped or left as they are, because in any case they will be of no further use"—ADMIRAL SIMS.

GENERALS and admirals, heads of America's and Europe's war departments, who tell their people they are arming in self-defence, or for war in general, and not for war against a specific nation or coalition of nations, are either not telling the truth, or failing in their duty to their governments.

This fact should be apparent even to the lay mind because it has been established as an axiom by students of military science and the great military minds, the Bernhardis, Moltkes, and Marshal Fochs of the world, that the best chance of victory is preparation with a "logical" enemy in mind.

Germany built her ships to fight Great Britain, and France built her army to fight Germany. The Germans made their plan for the invasion of Belgium in 1898. Schlieffen was the author. Had the Schlieffen plan been kept up to date by his successors, had the Lorraine army held back while the north army passed through Belgium, and had minor adaptations been made, the Germans would have won Paris and the war in 1914. Today the European nations prepare for wars with certain known enemies, build tanks or alpine batteries, or submarines, or super-dreadnoughts to meet the conditions the other side imposes. Any honest militarist will admit that this is the only way to prepare for war. In Japan today, experts say, the plans for fifty years of conquest have been completed, each decade with specific enemies in mind.

If the United States, in building up its fleet with the billion dollars just voted, is not having a specific enemy in mind, then it is obviously making the greatest war mistake in its life. But, if it has learned the lessons of military history it is preparing the

fleet to fight either Great Britain or Japan, since there are no other logical enemies.

It therefore becomes the duty of the Navy Department to prepare the most complete plans for destroying either the Japanese or the British navy, just as it is the obvious duty of the army or navy heads of these countries to plan the destruction of America. That is what the generals and the admirals are for. But each of these nations also has a Foreign Office or a State Department, and while it is the duty of the War Department to prepare for war, it is the duty of the State Department to prepare for peace.

Today, two decades after the outbreak of the Great War, the world witnesses a naval race which parallels the Anglo-German race of the first decade of the century, and prepares for a Disarmament Conference in 1935 to discuss the naval situation which will arise from the expiration of the London pact in 1936.

In preparation for this conference, Tokio imperialists shout in the press that Japan can no longer suffer the humiliation of being in a lower category than the United States and Great Britain, and must have parity, while British imperialists denounce the London agreements, and American big-navy men rule the sea.

The only really successful peace-and-disarmament conferences since the war have been those initiated by Presidents Harding, Coolidge, and Hoover, three conservative gentlemen, none of whom has been accused of being a bolshevik or pacifist and all of whom have had to fight the munitions-makers, the militarists, and the patriotic societies. Senator Borah was Harding's right hand, if not also his left and his mind. Secretary of State Hughes took the 1921 Conference completely by surprise by getting down to business instead of platitudes. He proposed abandonment of the capital-ship-building programs, reduction through scrapping older ships, consideration to the existing naval strength of the nations, and that capital-ship tonnage should be used to measure the strength for navies, with a proportionate allowance for auxiliary craft. The destruction of sixty-eight completed and partly complete capital ships with a total of almost 2,000,000 tons was involved, and the ratio set at 5:5:3 for the United States, Britain and Japan, 1.67 for Italy and France. The agreement signed provided for the following:

<i>Country</i>	<i>Number</i>	<i>Tonnage</i>
United States.....	18	525,850
Great Britain.....	20	558,950
Japan.....	10	301,320
France.....	10	221,170
Italy.....	10	182,800

In Japan, the United States, and Great Britain, reported Lieutenant-Commander Kenworthy, the navy chiefs opposed attendance and fought openly or secretly to add the Washington Conference to the list of failures. Thanks to Borah, to the Finance Ministers and the Secretaries of the Treasuries of the three countries, and to public opinion which was thinking of the unbearable burden of armaments, the conference succeeded. It was at this moment that Wells declared that economy, not a sincere desire for peace and disarmament, actuated the conferees.

While finished and unfinished super-dreadnoughts were being sunk or made playthings for airplane bomb practice, the armament-makers sold the navy leaders the idea of 10,000-ton cruisers costing \$15,000,000 each—the price of battleships of pre-war days. First there was a lot of talk about security, then rumours that some enemy nation was building, then actual programs. In 1925 there was a terrific naval scare in Britain, and despite protests and requests from Coolidge, who planned a second conference, and Japan, which went through a shattering earthquake, the new navy race began. America held back longest, but finally had to compete with England and Japan. Then Coolidge called the 1927 Geneva Conference.

The London Conference in 1930 followed the 1929 Shearer exposé, when every member was on the lookout for agents of the armament-makers. The treaty, signed April 22, 1930, prolonged the battleship holiday until 1936 and bound the powers to meet in 1935. Cruisers were limited in the manner of battleships. Auxiliary craft limits for 1936 were:

<i>Categories</i>	<i>Japan</i>	<i>United States</i>	<i>Great Britain</i>
Cruisers:			
(a) With guns of more than 6.1-inch caliber.....	108,400	180,000	146,800
(b) With guns of 6.1-inch caliber or less.....	100,450	143,500	192,200
Destroyers.....	105,500	150,000	150,000
Submarines.....	52,700	52,700	52,700

When 1936 arrives, eleven British, seven American and five Japanese super-dreadnoughts will have become obsolete because

of the twenty-year age limit. Most Italian and French ships of this class will be dead. The world will then again either make a treaty or return to *laissez-faire*.

Although to the layman the disarmament movement led by American Presidents may seem to have achieved complete success, it must be evident that something is wrong somewhere, otherwise why the following headlines in recent newspapers:

"Japan plans fleet to top ours in 1936."

"Japan to enter big-navy race."

"Britain joins race for big cruisers."

"Warn public of danger in naval race."

"Increase in navy seen danger to world peace."

"Big-navy drive on in Commons."

"Japan will ask us to avoid navy race."

"Hope seen as dim for naval parley."

"Britain pressing big-ship program."

"War invasion heard as House votes big navy."

"Japanese admiral assails our navy."

What is happening? The old 1909-14 naval race is being run in the same way. The same propaganda is being spread by interested persons. The British first lord of the Admiralty announces he is building large instead of small cruisers because the United States has decided to build large cruisers. The Japanese immediately enlarge their naval program because Secretary Swanson has obtained NIRA funds for building many vessels. The French must build because Germany's "pocket" battleship has turned out a success. The United States must build because Japan has just put through the largest naval appropriations in its history. Not one nation can afford to engage in this race, but each nation, blaming the other for starting it, is engaging in it.

When the treaty limits are reached it will be found that there are certain war craft which are not limited, and these will be built if the armament interests have their way. (In Japan the recent gunboat disaster revealed such a situation.) Then it will be found that some potential enemy has built a few tons too many or done something with its guns, or otherwise gotten the best of the limitation treaty. Then war scares will be loosed again and the new

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(a) With guns of more than 6.1-inch caliber.....	108,400	130,000	146,800
(b) With guns of 6.1-inch caliber or less.....	100,450	143,500	192,200
Destroyers.....	105,500	150,000	150,000
Submarines.....	52,700	52,700	52,700

When 1936 arrives, eleven British, seven American and five Japanese super-dreadnoughts will have become obsolete because

of the twenty-year age limit. Most Italian and French ships of this class will be dead. The world will then again either make a treaty or return to *laissez-faire*.

Although to the layman the disarmament movement led by American Presidents may seem to have achieved complete success, it must be evident that something is wrong somewhere, otherwise why the following headlines in recent newspapers:

"Japan plans fleet to top ours in 1936."

"Japan to enter big-navy race."

"Britain joins race for big cruisers."

"Warn public of danger in naval race."

"Increase in navy seen danger to world peace."

"Big-navy drive on in Commons."

"Japan will ask us to avoid navy race."

"Hope seen as dim for naval parley."

"Britain pressing big-ship program."

"War invasion heard as House votes big navy."

"Japanese admiral assails our navy."

What is happening? The old 1909-14 naval race is being run in the same way. The same propaganda is being spread by interested persons. The British first lord of the Admiralty announces he is building large instead of small cruisers because the United States has decided to build large cruisers. The Japanese immediately enlarge their naval program because Secretary Swanson has obtained NIRA funds for building many vessels. The French must build because Germany's "pocket" battleship has turned out a success. The United States must build because Japan has just put through the largest naval appropriations in its history. Not one nation can afford to engage in this race, but each nation, blaming the other for starting it, is engaging in it.

When the treaty limits are reached it will be found that there are certain war craft which are not limited, and these will be built if the armament interests have their way. (In Japan the recent gunboat disaster revealed such a situation.) Then it will be found that some potential enemy has built a few tons too many or done something with its guns, or otherwise gotten the best of the limitation treaty. Then war scares will be loosed again and the new

naval race will continue indefinitely. Indefinitely, that is, until the day war is declared.

Winston Churchill has told the House of Commons that Britain is disarmed to the danger point.

The Japanese, announcing \$244,000,000 for navy and \$233,000,000 for army expenditures in 1933-34, claimed they were far behind the tonnage allowed them by the London Pact.

Secretary of the Navy Claude A. Swanson, in announcing the thirty-two-ship program said, "We can no longer afford to lead in disarmament by example."

The race is on despite the London Agreement. The old methods are being used. When the British built the *Dreadnought* it was said this ship made all navies obsolete. England and Germany, without questioning, raced ahead with dreadnoughts.

When the Germans recently built the *Deutschland* the French, British, Japanese, and American naval experts declared this ship made all others of this class obsolete. The French laid down the *Dunkerque*, a battle-cruiser of 26,500 tons, costing \$35,000,000. The launching of this ship, it is agreed, will constitute one of the most important political gestures towards a new war in post-war history. We will all have to build *Dunkerques*.

A few months ago the announcement that the new 8,500-ton Japanese cruisers of the *Mogami* type, carrying 6.1-inch guns instead of the expected 5-inch, was hailed in England as "reducing our own 7,000-ton *Leanders* to impotence." American experts feel the same way about it. We will all have to build *Mogamis*.

This is the naval race which militarists, not pacifists, admit will lead inevitably to World War.

It must be noted that when the super-dreadnought race was limited by ratio in 1921, great admirals and naval strategists were disputing the value of big ships in wartime, and that when the cruisers shared the same rationing in 1930 more experts had arrived at the conclusion that the day of large ships was over. There is of course no conclusive evidence and probably will not be until the next war.

But no disarmament conference has set limits to other classes, notably merchant ships, and as Mr. Washburn of the Navy League has pointed out to the present writer, passenger and freight carriers nowadays are built with supports for 6-inch

guns. Britain, of course, has the overwhelming mercantile tonnage, and naturally the big-navy men of other countries want this type of convertible war craft built in challenging quantities.

The United States, thanks to the navy's fight with Rum Row, has built or is completing a total of 295 small vessels, each equal to the navy gunboats which carry two anti-craft guns and an airplane. Britain has built a large fleet of miscellaneous craft and Japan is building a fleet of small torpedo-boats which are not limited by treaties. As Hanson W. Baldwin points out, all these miniature men-of-war are capable of being used as second-line defence and are useful for patrolling, scouting, commerce-raiding, and anti-submarine screens. If, therefore, the contention of certain admirals and experts is right, all the limitations of large ships is purely economy and the naval race is being continued in small ships.

Secretary Swanson has defended the new naval program because "85 per cent of the money will go directly into the pockets of American labour." Some years ago, before the Committee on Naval Affairs, U. S. Senate, Sixty-fourth Congress, it was (Senator) Swanson who asked what the inclusive cost of producing naval armour plate was, and obtained from Admiral Strauss the figure of \$262 a ton and evidence that private manufacturers charge \$400 to \$500 a ton. Obviously, labour cannot get 85 per cent of government funds when there is so much profit for the manufacturers. Moreover, Mr. Swanson forgot to consult the Bureau of Statistics of the United States Labour Department. The bureau's figures show that labour's share of every dollar spent in classes of work involved in naval construction is thirty-seven cents. It is one thing to make statements that appeal to popular emotion in time of distress and suffering, and another thing to consult an expert in a neighbouring government bureau.

Leading champion of the big navy is the *New York American*, which believes editorially that "every state will benefit by this construction because 85 per cent of the moneys thus spent will go directly into the pockets of labour." In the next breath the *American* makes a more reliable statement. "As a result of this new naval construction our shipbuilding industry, which at the beginning of the fiscal year was rapidly starving to death for lack of work, is now reviving and making its own vital contribution to



the general economic welfare of the country, to its maritime strength, and to the national security."

August, 1933, the Navy Department placed the largest order ever made "in a single day." Contracts for twenty-one craft totaling \$129,777,600 were awarded as follows:

Newport News Shipbuilding & Dry Dock Co.—two 20,000-ton aircraft carriers at \$19,000,000 each.

Bethlehem Shipbuilding Corp.—one 10,000-ton cruiser with 8-in. guns at \$11,720,000; four 1,850-ton destroyers at \$3,896,000 each.

New York Shipbuilding Co. in which Errett Lobban Cord recently bought control—two 10,000-ton cruisers with 6-inch guns, at \$11,677,000 each; four 1,850-tons destroyers at \$3,775,000 each.

Electric Boat Co.—two 1,400-ton submarines, minus main propelling machinery, at \$2,770,000 each.

Bath Iron Works Corp.—two 1,500-ton destroyers at \$3,429,000 each.

Federal Shipbuilding & Dry Dock Co.—two 1,500-ton destroyers at \$3,410,800 each.

United Dry Docks, Inc.—two 1,500-ton destroyers at \$3,400,000 each.

Senator Trammell, chairman of the Naval Affairs Committee, on opening the bids, wrote a letter to the President asking they be rejected because he said they had been made in collusion, so that each shipbuilder would be low bidder on at least one type of vessel. The navy investigated and declared the charge false. Drew Pearson, however, insists Mr. Trammell is right. He also states the shipbuilders have raised prices \$150 a ton above the price peak years, 1926-27. There is evidently no money for labour in the present naval race.

As for prices and profits, Hector C. Bywater, one of the foremost British naval authorities, points out that Britain is now getting its navy at the lowest cost in the world and that the United States is paying at least 33 1/3 per cent more per ton. To some extent higher American prices are due to the thirty-two hour week under the NRA, but this would hardly make a ship

cost \$5,000,000 more than a British ship of the same kind. Says Mr. Bywater:

"The contract for the heavy cruiser *Vincennes*, of 10,000 tons, with eight-inch guns, has been placed for £2,345,000, not including armament. The total cost of the ship will, therefore, exceed £3,000,000, or a million above the average price of British 10,000-ton cruisers.

"Two new aircraft carriers of 20,000 tons have been ordered . . . the bill for each ship will be approximately £4,400,000. This is about 40 per cent above the price at which a similar vessel could be built in this country.

"Two 'light cruisers' of 10,000 tons . . . are to be constructed by the New York Shipbuilding Company for £2,335,000 each, but the armament will add at least £600,000 to this figure, bringing the total up to £2,935,000. This is one and one-quarter million (pounds) more than the cost of H.M.S. *Leander*, a ship of 7,000 tons. . . .

"The contract price of the new United States destroyers, twenty-four in all, averages £680,000—with armament, probably £760,000. These craft are to be of 1,500 tons. The latest British destroyers, of 1,375 tons, are costing, complete with armament, £275,000.

"Two of the new United States submarines have been ordered at £554,000 each, without machinery and armament, two items which will bring the total cost of each boat to well over £1,000,000. These boats are smaller than the British submarine *Porpoise*, the full cost of which is £292,500."

Can it be possible that the United States is paying \$3,537,500 for labour on a \$5,000,000 submarine, which incidentally the British produce for \$1,462,500, or is it possible that the old system of war profiteering which Mr. Baruch swears has been abolished since the war, is still in effect?

Mr. Swanson is right in saying he is building within treaty limits. In addition to the several hundred millions spent in 1933, the Vinson bill has provided for between \$750,000,000 and \$1,000,000,000 to achieve parity, a navy second to none. This program will extend into many years. Meanwhile neither Britain, Japan, nor the United States is taking the 1935 Disarmament

Conference seriously; on the contrary, Winston Churchill wants the London Pact abrogated, and so do the Japanese.

Big-navy advocates, asked to explain the rush of building on the eve of a disarmament conference, reply blandly that unless the United States has the big tonnage the treaty allows it will not be in a position to sink that tonnage in case the 1935 Conference does decide on more disarmament. The point they make is that if Japan and Britain find that the United States has not got the ships they will try somehow to come to an agreement whereby Japan and Britain will remain superior at sea.

The American public has not been informed which nation is the logical enemy or why a war is necessary, but national security, it is said, is assured by having the ships ready when bargaining begins.

In an atmosphere of honour, pride, and patriotism there is a navy race going on today, within the treaty limits and outside the treaty limits. First it was Japan that let it be known semi-officially that it desired parity at the 1935 conference, then the Churchills of Britain began a campaign which "has already poisoned the atmosphere in which the Naval Conference will have to convene, if it is considered worth while for it to meet at all," and now the Swanson program has practically ruined the chance for peace and disarmament results. Denials of the existence of a naval race are merely diplomatic quibbles.

In proposing naval disarmament President Harding said, "The private manufacture of ammunitions of war should be so regulated by each state as to remove the danger of provoking hostilities for commercial profit."

The most damning accusation ever made against armaments and the naval race comes not from pacifists, but from Lord Grey of Falldon, who wrote of the World War: "The moral is obvious; it is that great armaments lead inevitably to war. If there are armaments on one side, there must be armaments on other sides. While one nation arms, other nations cannot tempt it to aggression by remaining defenceless. . . . Each measure taken by one nation is noted, and leads to counter-measures by others. . . .

"The enormous growth of armaments in Europe, the sense of insecurity and fear caused by them—it was these that made war

inevitable. This, it seems to me, is the truest reading of history, and the lesson that the present should be learning from the past in the interests of future peace, the warning to be handed on to those who come after us" (*Twenty-five Years*, vol. I, pages 91-92).

Lord Grey's charge has been complemented by conservative diplomats and the military. General Pershing, advocating reduction in armaments, said it "would be a long step toward the prevention of war." President Coolidge said armaments "constitute one of the most dangerous contributing causes of international suspicion and discord and are calculated eventually to lead to war." The Tsar, trying to end the naval race in 1908, said, "This preparation for war is bringing about the very cataclysm it is designed to avert." Rear-Admiral Thomas P. Magruder said of the London Conference, "I think a radical reduction in armaments the greatest step toward peace."

The lessons of the 1909-14 naval race seem to have been forgotten by the Navy Secretaries of the world. Yet the fate of the world may be decided by the 1935 conference.

## Chapter Twenty-Five

### "What Are You Going to Do About It?"

EVERY fair-minded person who by accident or design has faced the armament problem feels that something must be done about it. Efforts of those seeking remedy have been concentrated in Geneva, and Geneva has gone backward. When a "smart" writer like Beverly Nichols, suddenly learns about the international for profit in war he becomes almost hysterically passionate in his reaction, and when a sound business man like Bruce Barton is convinced that commercial war fomenting is one of the great evils of the century, he devotes time, talent, and money to fight it.

In the immediate years following the World War little was done. Wilson himself was among the first to realize his mistakes. He insisted on disarmament, was convinced the Allies would follow Germany. In 1919, speaking in St. Louis, the man who said the war had some connection or other with democracy said, "We all know that this was a commercial war." Wilson believed the League of Nations would disarm the world and make war impossible.

Armaments, it is true, have become the crux of the peace problem. In fifteen years the League of Nations has evolved into a disarmament conference. But every man and woman who in political Washington, Geneva, London, or Paris works for peace by disarmament has found the road obstructed. Opposition, from newspapers, from patriotic societies, from public servants, which is "secret and powerful . . . which does not spring from popular apathy toward disarmament, but which is organized by those who have a financial interest in the upkeep in arms," as the Union of Democratic Control charges, has up to now maintained its stone wall successfully.

"There hasn't been a conference since the beginning of the war that hasn't stirred up more hate and done more harm than it has good," says the wise Will Rogers, and the equally wise Salvador de Madariaga the philosophical Spanish representative in Geneva, believes that disarmament conferences turn into

armament conferences. It was war, not peace, talk that echoed through the halls of the League of Nations meeting in 1933, when the delegates from the United States, Britain, France, and Italy discussed Germany's demand that the Allies disarm in accordance with the Versailles Treaty or permit Germany to rearm. Ironically enough, one of the Hitlerite delegation's last actions in Geneva was to ask the secretariat to refuse to accept a petition entitled "War against War," signed by 1,000,000 German members of pacifist societies.

In 1927 Commander Kenworthy noted that "the spectre of war stalked always through the rooms at the Geneva Naval Conference of 1927; its shadow darkened the councils; the fear of it led to the naval rivalry unashamedly disclosed," and at the London Conference, three years later, Lord Cecil sorrowfully noted that "the peace current is slackening. Old tendencies which ultimately lead to war are beginning once more to assert themselves. . . . No one who watched the negotiations can have failed to see how much they were conducted in a war atmosphere, how seldom any reference was made to great international instruments for peace. . . . Important leaders of opinion are again preaching that hoary-headed falsehood, 'If you want peace you must prepare for war.'"

The official documents of the League of Nations give all the necessary proofs that the peace current is slackening. There are two reasons for this:

1. The failure of the United States to coöperate in disarmament programs from 1919 to 1933.
2. The fact that Geneva has become a political battleground of professional politicians, including representatives of the armament industry, instead of a peace conference where statesmen not politicians could decide matters.

The most impressive proposal for control of armaments and for world disarmament was made at St.-Germain in 1919 and defeated in Washington in 1922 and 1923. Twenty-three nations had signed the pact when the State Department sent its reply which said in part:

" . . while the government of the United States is in cordial sympathy with efforts to restrict traffic in arms and munitions of

war, it finds itself unable to approve the provisions of the Convention and to give any assurance of its ratification."

This refusal was supplemented September 12, 1923, with a list of reasons for not signing:

"After a careful examination of the terms of the Convention it has been decided that the objections found thereto render impossible ratification by this government.

"There is particular objection to the provisions by which the contracting parties would be prohibited from selling arms and ammunitions to states not parties to the Convention. By such provisions this government would be required to prevent shipment of military supplies to such Latin-American countries as have not signed or adhered to the Convention, however desirable it might be to permit such shipments, merely because they are not signatory Powers and might not desire to adhere to the Convention."

To the League of Nations this meant that the United States was not opposed in principle to the arming of revolutionaries, and intended to help those parties in Central and South America who were connected with American banking-houses, who would guarantee loans made, and favour certain American interests, such as the fruit companies, oil companies, and other private corporations. One incident was the recognition of a South American government and the shipment of arms which arrived just a day after it had been overthrown by the faction the State Department opposed. It was not until 1934, when President Roosevelt made the famous declaration, the American government will refrain from such interference in Latin America in the future, that the way was opened for coöperation in the restriction of the arms trade.

The 1925 Geneva Convention found the United States and Germany represented and the convention which was signed by twenty-nine states provided for the supervision and publicity of the munitions trade, a special system of control for certain parts of the world. President Coolidge submitted the convention to the Senate in December. So far only twelve states have signed it and it is inoperative.

In 1930 the Draft Convention produced a document which, instead of making conditions more drastic, actually permitted nations to report the value only of armaments sold abroad instead of numbers and weights as well.

A program of programs, six points agreed upon by disarmament committees from all parts of the world and formulated by the International Consultative Group, Geneva, follows:

1. Substantial reduction of existing armaments.
2. No rearmament.
3. Abolition of aggressive weapons within a definite period and with the immediate elimination of all bombing from the air, of the air weapons in general, and of poison gas.
4. Limitation of expenditure to prevent rivalries in armaments.
5. Effective supervision of existing armaments and of arms manufacture and trade.
6. A permanent organization to carry out the above provisions and to carry on the work begun by the Disarmament Conference.

The League's first subcommittee of the Temporary Mixed Commission's suggestions for the control of the private manufacture of arms included the following:

1. No manufacture without a licence.
2. No exports or imports of arms without a licence.
3. All licences to be registered at the League of Nations.
4. All company shares to be registered and no bearer shares to be issued.
5. All accounts to be publicly audited and published.
6. Those in control of private manufacture should be prevented from controlling or influencing newspapers, etc.

What have the men and organizations not connected with Geneva and pacifist societies done about armaments? They have proposed many measures. It has always been said that any weapon is good to use against a mad dog, and the unleashed dogs of war are always mad. If the world cannot afford to accept an "idealistic" plan as muzzle because it would involve the loss of a few million dollars, and prefers the realistic plans of the military which involve only a few million lives, it might compromise on one or more of the practical ideas of business men, statesmen, and politicians such as Baruch, Roosevelt, Hurley, Bourgeois, Hoover



or the heads of the American Legion. Their leading proposals since the war can be summarized as follows:

Nationalization of the armament industry.

Prohibition of the international traffic in arms.

"Take the profits out of war" (Baruch Plan).

Mobilization of labour in wartime.

Mobilization of industry in wartime.

Abolition of aggressive weapons (F. D. Roosevelt).

Proportional Disarmament.

Thirty-three per cent disarmament (Hoover Plan).

International police force and control of armaments by a commission (Léon Bourgeois Plan).

Complete disarmament (Litvinoff Plan).

Military disarmament to the minimum required for police purposes (MacDonald Program).

"The leaders of the great industries which own, control, transport, refine and fabricate the key commodities would not sell them to any actual or prospective 'belligerent'" (Hurley Plan).

"Private profit must be eliminated from the production of material for national defence before the sinister activities of warmongers and patriots for profit can be abated and eliminated" (American Federation of Labour).

War boycott—total disarmament of all nations—international police force—abolition military aircraft (British Labour Party).

Abolish profits of war; general mobilization men and women at \$1 a day (*Christian Science Monitor* Plan).

Refusal to transport munitions (decision of Danish Seamen's Union).

The 1922 American Legion plan, adopted after conference with the General Staff of the War Department, authorizing the President, in time of national emergency, to draft all men between twenty-one and thirty, including labour, and authorizing the President to control material resources, industrial organizations and services.

"Draft resources of individuals and corporations as well as men in case of war" (National Grange).

A word must be said about the Soviets. Russia is the only nation which has no munitions racket, because the industry is part of the state, but Russia has a great armament problem, nevertheless. Five-year-plan No. 1 in the words of Stalin consisted largely in building up the army and the steel-plants necessary for armaments, providing "the maximum capacity of defence of the nation, capable of inflicting decisive check to each and all attempts at armed intervention from abroad, to each and every war-like attack." Neither Stalin nor the Third International is to-day the ultra-pacifist of the Lenin-Trotsky period. There is no reason to believe that Moscow would order American communists to sabotage war if, for instance, the enemy is Japan, Russia's enemy.

Bernard M. Baruch is one of the brainiest men in America, and although a big business man, his hobby is finding a cure for war by taking the profits out of munitions.

After serving as chairman of the War Industries Board in which capacity he had a lot to do with enforcing the blockade against the "neutral" nations trading American and British supplies with Germany, Mr. Baruch devised the plan of freezing prices by presidential decree; there would be no profits for anyone in wartime; a "ceiling" is fixed as of a year before the declaration of war, and if anyone succeeds in profiteering in armaments the government would get it back by taxation.

Mr. Baruch told the writer he did not believe in radical schemes—the conscription of wealth would result in panics and in smuggling and other abuses. Taking the profits out of war was not equivalent to conscription of wealth, which is "a theoretical project, prohibited by our Constitution, contrary to the spirit of our social and political institutions, and impossible in practice." But he would get the profits out of war munitions. "It would go very far toward keeping the peace of the world."

Owen D. Young, General Pershing, and President Harding approved. Mr. Young said, "If profit is eliminated from war everywhere and if the mobilization of things and dollars is carried along on the same basis with mobilization of men in all countries verging on war, there will be less likelihood of joining battle."

Mr. Baruch informs the writer he is under the impression that

his plan for taking the profits out of war has been adopted by the War Department. Two facts are: the 1933 naval program permits the armament trade to make warships at 33 to 50 per cent more than England pays, while the 1934 program limits profits to 10 per cent. A third fact is that great profits are being made now, in peacetime, on the 14,000 articles the army and navy need, and the Baruch plan does not provide against this sort of profit-making.

To all suggested plans to end the munitions traffic evils there are many objections, some of them valid, some involving national defence, almost all involving private profits. If there is nationalization, conscription, embargoes, control, licencing, publicity, etc., several persons will lose money. If the government rolls its own steel, it will involve a loss because there will be no manufacture of peacetime goods in the unoccupied time. It is therefore a matter of money. But it is also a matter of money or your life.

At long last the question of the bloodshed international, hitherto raised by liberal organizations, has come to world-wide attention. In addition to the liberal press, such as *The Nation*, *The New Republic*, *The World Tomorrow*, and the *Living Age* in America, *The New Statesman and Nation*, *The Week End Review* in England, *Crapouillot* in France, numerous powerful daily newspapers have come to this writer's attention with editorials or news items favouring action in the munitions racket. (This is daring because the armament-makers are heavy advertisers of their peacetime wares.) The *Baltimore Sun* has always supported such a movement. Likewise the *St. Louis Globe-Democrat*, William Allen White, and the Scripps-Howard chain which permits its correspondents and its feature writers, notably Heywood Broun and Harry Elmer Barnes, complete freedom in exposing the ramifications of the armament ring. Scores of newspapers which the writer rarely sees must also be credited with editorials asking an end of private profits in warfare. Recently the Big Business monthly *Fortune* printed an exposure dealing largely with Europe, and when its affiliated weekly, *Time*, reprinted two columns of this article and the *New York Times* and the *New York Herald Tribune* did likewise, the question was almost raised to a national issue. It is to the credit of American

journalism that this has happened. It is impossible to imagine a powerful Paris newspaper or Lord Rothermere's *Daily Mail* or Lord Beaverbrook's *Express* doing the same.

There are also signs that the munitions-makers are growing conscious they are engaged in business which involves death for profit.

In France for the first time an anonymous Schneider official has granted an interview. He gave Paul Allard, the journalist, a defence of the business, his chief point being that the government has knowledge of all Schneider deals and approves them. But inasmuch as the French government is part and parcel of the munitions racket, such a defence can have no standing.

In the United States a revolver-maker told a congressional committee that the reports of intrigue by the munitions ring were "just newspaper stories."

Recently the E. I. Du Pont de Nemours & Company of Wilmington, Delaware sent out a stockholders' bulletin which said in part: "Your company has acquired a majority common stock ownership in Remington Arms Co., Inc. . . . In view of the current public discussion of national armaments, and the healthy growth of popular opinion against war, it seems opportune to acquaint the stockholders with the position and policy of E. I. Du Pont de Nemours & Company with reference to the manufacture and supply of munitions. . . .

"One of the lessons learned from the World War is that such preparedness is one of our strongest guarantees of peace.

"The company's policy with respect to the supply of munitions to governments of other countries has been to keep in touch with the proper representatives of certain of these countries and to stand ready to consider the legitimate needs and proffered orders of all of them for munitions of such character as the company can economically produce. . . . Business of this nature is sought, but orders for munitions are not accepted without the knowledge of the appropriate departments of the United States government at Washington. . . .

"The management feels that the success and prosperity of E. I. du Pont de Nemours & Company are enhanced by world peace. . . ."

At the March 25, 1934, meeting of Vickers, Ltd., stockholders

again asked impertinent questions. Sir Herbert, queried concerning activities in Germany and Austria, said "nothing is done without complete sanction and approval of the British government"; Vickers, Ltd., was not a member of any international arms ring; there was keen competition. A stockholder reported that the ownership of Vickers stock by Cabinet members—he named Sir John Gilmour, Home Secretary, and Sir Philip Cunliffe-Lister, Secretary for Colonies—made the American public "deeply suspicious of the genuineness of Britain's disarmament policy." Sir Herbert replied that "the Vickers group do not participate in politics either in Britain or abroad, and neither directly nor indirectly control or influence any British or foreign newspapers"; as for the advertisements in Germany, they were inserted for South American trade; the year's business was satisfactory but stories of inflated profits existed only in the imagination of ill-informed critics.

The protests of virginal innocence and high patriotism of the armament world would sound better if disturbing facts were not being revealed in the daily press. From Newport News on January 17 and February 23, 1932, five thousand tons of nitrate of soda, chief ingredient of T.N.T. were shipped to Japan. Congressman Fish reported it to the House. From Delaware, Maryland, and New Jersey plants, nitrates and powder and airplanes and airplane motors are being shipped to Japan almost every week of 1933 and 1934, and if Japan is the "logical" enemy, it is therefore "logical" that American soldiers and sailors will be killed by American munitions, that California cities will be bombed and civilians killed by the shell and gas and motors made in America.

A new machine gun capable of firing many thousand bullets a minute, operated by either electricity, steam, gasoline, or hand power, is reported from Japan. Its description tallies with the invention of Levi W. Lombard of Boston and Earle Ovington of Santa Barbara, California. Tested in 1918, the gun was sold to Britain in 1921 and turns up in Japan in 1934.

From Istanbul A. V. Lander, representative of Vickers-Armstrong, was deported recently while superintending the armament of six supermarine Southampton flying-boats purchased by Turkey. General Haines, director, and two Vickers experts are in

Turkey working on anti-aircraft guns bought from Vickers a year ago.

Sweden has joined the nations with munitions scandals. A government commission, recommending the dismissal of many of their air forces, found that bribes of 16,000 kroner had been accepted in the form of a loan. An airplane company was blamed.

Hawker Aircraft, Ltd., reports in its newest prospectus it has armed British colonies, Norway, Esthonia, Yugoslavia, Greece, and Japan.

Rumania has had a new series of armament scandals. One involves the purchase of airplanes by the prince who is now King Carol. The latest, the Seletzki affair of August, 1933, ranks with the Putiloff, the Krupp, the Mitsui-Vickers and the *Figaro* cases. In March Bruno Seletzki, representative of Skoda in Bucharest, the most famous city for graft and corruption in the world, was accused of evading payment of 65,000,000 lei in taxes. Dr. Lupu, radical leader, and Social-Democrat members of Parliament made the accusations. One general, who had given Skoda orders for munitions, committed suicide. The radical and socialist deputies showed that in orders for 15,000,000,000 lei nearly 4,000,000,000 was paid in bribes. "One Minister received 600,000,000, another 400,000,000, a third 25,000,000 and finally a whole group received 700,000,000," said Dr. Lupu, and asked Skoda to turn over the Seletzki code so that the names of Ministers could be deciphered. After weeks of negotiations with Director Jeszika of Skoda, some documents were decoded in Prag involving only minor officials.

M. Goga, a former Minister, addressing the Chamber, accused armament firms of bribery and being "active in fomenting a war scare and in persuading our country to adopt warlike policies and to increase armaments. . . . You all remember the formidable panic which seized public opinion in Rumania during the summer of 1930. In the press, in public meetings, above all in the homes of Bessarabia, only one thing was discussed, the imminent invasion by the Soviet army. Russian troops, so it was said, were concentrated at Tiraspol on the Dniester, ready to invade Bessarabian territory. . . . I personally was the dupe of these rumours. . . . Finally, I asked an audience of Prince Nicholas and the Patriarch (head of the Rumanian Orthodox Church, and with

Nicholas, member of the Regency). . . . On the day of the interview with the Patriarch the alarms ceased like a miracle. The vast manoeuvre which had produced so great a panic evaporated as by the waving of a wand. The Patriarch received me with the following words:

"'Come, M. Goga, why all this agitation. . . . All will be well. We have just sent a large order for war material to the Skoda works for several billion lei.'

"I had been the victim of an extremely clever piece of wangling. Since that time I have always accepted news concerning the danger of 'imminent conflict' with more prudence."

The trial was typically Rumanian. Every intrigue was made to hush it up when notable patriots became involved. Not a single important name was revealed, but Seletzki got five years for possessing military documents and for breaking the seal on his safe.

On March 26, 1934 a general strike was called at the New York Shipbuilding Company's plant in Camden, the men asking increased wages. First-class mechanics were receiving \$23.50 a week. The company had \$40,000,000 in government contracts in hand on which, according to Secretary Swanson, labour would get 85 per cent in some unexplainable way. The ships are costing the United States almost double what England pays. The president of the company is Clinton L. Bardo, former employer of William B. Shearer of Washington and Geneva.

What is Washington doing about the munitions racket? On March 5, 1934, Senator Borah, who, despite his opposition to Geneva entanglements, remains one of the few Senators to whom persons seeking social justice can appeal, accused the world munitions international, and especially the American part, of raising a war scare in the Far East for the purpose of spurring the armament business. Mr. Borah called the munitions-makers using propaganda in Japan "international criminals," but he did not name names, and suggested the governments take complete control of factories, eliminate profit in instruments of war, and end the fears which keep war alive. He added that everything pointed to a naval race.

"I do not believe that even the munitions-manufacturers can bring about this war with Japan, but if it should be brought

about, the world will witness our soldiers being shot down with munitions made by people of their own country," said the Senator; "even the approach of a conflict would not stop these manufacturers from selling to those who might use them against the soldiers of their own land. They would sell them right up to the time of an embargo, for only an embargo would stop them."

The speech was made during the debate on the Vinson bill. It was followed the next day by a similar declaration from Henry Ford, who apparently has regained confidence in himself after the scurrilous and well-paid attacks made on him in 1915. On March 10th the Senate Military Affairs Subcommittee recommended an investigation "in the so-called munitions trust" after Senators Logan of Kentucky and Dickinson of Iowa demanded it. The subcommittee already had two resolutions for this purpose, one from Senator Nye of North Dakota and the other from Senator Vandenberg of Michigan. The latter wants the recreation of the War Policies Commission to study profiteering in peace as well as war, and the Nye resolution asks an investigation of all individuals and corporations engaged in the manufacture, sale, distribution, import, or export of arms, munitions or other implements of war.

How bold an action the latter was is apparent from the fact communicated to this writer by several persons interested in the peace movement that they spent months going from office to office, from Senator to Senator, from Representative to Representative, presenting their evidence on the world-wide munitions racket, but failing to find one member of Congress brave enough to take up the matter. At last a man has been found. It is herewith suggested that the first witnesses called before a government investigation should be the Congressmen who through fear or for business or political reasons refused to do what Mr. Nye has done.

The World War has proven *inter alia* that war is bad business for all countries, all men; it has ended that nonsense about war being part of a human nature which never changes; it has knocked into a cocked hat the theory that armaments are like fire insurance when it proved, as R. G. Hawtrey, economic expert of the British Treasury, put it, that "the fire insurance companies are



the principal incendiaries"; it has shown that armaments are an incentive, one of the main causes of war and no guarantee for peace; that preparedness is the best way to get war; that profits and not patriotism is the motive of the armament-makers and their subsidized patriotic societies.

The 1929 world economic débâcle is the direct result of the World War. Whether the world system will survive it is still open to question. Changes in government and economic methods are being made everywhere, from Moscow to Berlin to Washington. One thing is quite certain: another world war will end the present world "set-up" or "capitalism," or whatever the conventional economic system is called.

And yet in these harrowing years a great advance has been made. We have conquered famine and pestilence and curbed disease, just as our forefathers conquered slavery and cannibalism. The Four Horsemen of the Apocalypse do not ride over our huts today with ancient thunder. War alone remains to uphold the Malthusian theory of population, but the machine defies it. The machine age has come and made possible unlimited food and clothing and shelter for all the seventeen hundred or two thousand million people of the earth, and for the first time in history plentitude can be created. There is now no need of war for trade routes, for colonies, for land for surplus population, for markets, for rivalry in cotton goods and razor blades.

No reason for war remains except sudden profits for the fifty men who run the munitions racket. To defeat them leadership and intelligence are needed which will create the new deal for the whole world, the new deal internationally conceived, internationally ordering the world's machinery, internationally releasing the people from the ancient economic fear of existence, by supplying the needs of all efficiently without the imposition of hardship on any.

The subject of war has been treated here mainly as it involves munitions manufacture and trade, but the question of armaments is so closely linked to war and peace that it is impossible to discuss it separately.

History since the arrival of Big Business in armaments is largely the story of preparations for war. The League of Nations

and unofficial private organizations are an attempt to prepare for peace. The ancient falsehood, *si vis pacem para bellum*, served the Romans, and every patriotic society in the world uses that phrase or George Washington's translation of it, but the same George Washington also warned against false patriotism and uttered a thought which all professional patriots overlook. "Overgrown military establishments," said the Father of his country at a time when military establishments were like children's toys compared with what they are relatively today, "are under any form of government inauspicious to liberty, and are to be regarded as particularly hostile to republican liberty."

The time has come for the world to revise the axiom of the Romans and to say *si vis pacem para pacem*; there seem to be only two ways in which peace will come—either through the next war, the aëro-chemical war which militarists admit will kill millions of civilians in every city attacked, destroying the present civilization and forcing the exhausted survivors to cease hostilities forever, or a change in the mentality of nations, which might today adopt the principle, "if you want peace, prepare for peace."

The first real step toward that end is the destruction of the world-wide munitions racket. It will cost millions of dollars. It will save millions of lives.



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# Appendix

## Appendix I

### Dreadnoughts and Dividends. Exposure of the Armaments Ring

PHILIP SNOWDEN

*House of Commons, March 17, 1914*

. . . Four years ago we were fighting in defense of the Budget proposed by the present Chancellor of the Exchequer. Why? We were fighting for this new taxation, not that it might be spent upon "Dreadnoughts"; not that it might go as increased profit into the pocket of armament firms. We supported the Budget because we believed that the additional revenue was going to be devoted to deal with problems of old age, poverty, unemployment, the education question, better housing, and the like. . . .

Lord Welby, who has held the highest and most responsible position as permanent Civil Servant in this country, who was at the head of the Treasury, who is a man of world-wide reputation in matters of financial knowledge and a man of sterling probity, was speaking on this question a few weeks ago, and he said:

"We are in the hands of an organization of crooks. They are politicians, generals, manufacturers of armaments and journalists. All of them are anxious for unlimited expenditure, and go on inventing scares to terrify the public and to terrify Ministers of the Crown."

This is an extremely serious charge to be made by a responsible ex-public servant like Lord Welby. Can it be substantiated? I venture to submit to this House that it can be substantiated up to the hilt. We had a scare in 1909. That was not the first scare of the same character. If time would permit I could go through half a dozen previous scares and show that the features of each were precisely the same. They were all engineered during a time of trade depression—and engineered for the purpose of forcing Governments to spend money in the provision of additional armaments. . . . What was the state of trade in the shipbuilding world, and in many of the armament firms at the time when the scare was introduced? In the early part of 1909, Earl Cawdor, who presided at the Institution of Naval Architects, said:

"During the past twelve months, with the exception of the 'Vanguard' building at Barrow, not one British battleship has been laid down in a private shipbuilding yard at home." . . .

What was going on at the time of this exceptional depression? Why, all these firms were engaged in increasing their capital, putting down new slipways, preparing for the time which they knew from past experience, and their knowledge of instruments they were able to work,



would come sooner or later. Just before the scare, Armstrong, Whitworth and Co. had equipped a new gun-mounting shop, with three erecting pits and ample storage room for ordnance; the Coventry Ordnance Works, Limited, had completed in 1908 their great gun-mounting establishment at Scotstoun. Messrs. Beardmore and Co., Limited, with the aid of Vickers, Limited, had been making extensions at Parkhead Works. All this time these men and their representatives were working behind the scene. The House will remember the Mulliner incident. Mr. Mulliner was a director of the Coventry Ordnance Works. What is the Coventry Ordnance Works? It is another name for John Brown and Co. The Cammell, Laird Company and the John Brown Company own most of the shares. Now, we had it on the authority of Mr. Mulliner himself that for three years before 1909 he was constantly writing to the Government and appealing to them in other ways to spend more money upon armaments, and giving them information, which was afterward found to be totally untrue, in relation to what Germany was doing. I do not suppose that it is a very usual practice for Cabinet Ministers to interview commercial travelers and touts, but they made a departure on this occasion, and after three years of importunity, they enlisted the services of this gentleman, who was received by the Prime Minister and other members of the Cabinet; and then the First Lord of the Admiralty came down to this House with that bogus story about the acceleration of the German programme, and it has since come to light that their only authority was the man whose works were standing idle at that time, and who was so anxious to get Government work. . . . A cry went up: "We want eight, and won't wait"; and they did not wait, and then the contingent ships were laid down, and they got the work. These are the very men who had been using this means to induce the public to spend money.

I find from the "Navy League Annual," that before this scare the amount of private contracts for new construction was £7,000,000. The year 1910-11 was the first year of the new programme, and in that year private contracts went up by £4,500,000, but there was no more work given to the Government dockyards; it all went to private contractors of the armament ring, who forced the Government into this expenditure. . . . What do I find on examination of the balance sheets of the firms which constitute the armament ring? I find in the year before the scare Messrs. Vickers' profits amounting to £424,000. Two years after that they were nearly double that amount. Every year since the success of their intrigue their profits have gone up—£474,000, £544,000, £745,000, £872,000. The precise figures of their profits for the last twelve months are not yet obtainable, but they show another addition, so that their profits are increased by £500,000 a year as a result of the success of the scare they engineered four years ago. Now, what are the other component parts of this ring? Let us take Armstrong's. That is the other firm in this ring of which the First Lord of the Admiralty spoke very affectionately some time ago. He said that the rela-

tions of the Admiralty with Vickers and another large firm in the trade are far more cordial than the ordinary relations of business. That might be one reason why the representative of these firms was received in audience at a Cabinet Council. In the year of the scare Armstrong's profits amounted to £429,000. They went on mounting up until last year they had risen to £777,000 with an increase in dividends. Another firm, Messrs. Beardmore, shows on examination of their profits exactly the same thing. In 1909 their profits were £72,000; in 1911 they were three times that sum—£201,000.

I have spoken of the armament ring. What is that ring? It is a combination of four, or five—strictly speaking—of the principal firms engaged in this trade. Patriotism is not one of the distinguishing features of the trade methods of this great combine. For instance, I find Messrs. Vickers have works at Barrow, Sheffield, Birmingham, but they do not confine themselves to this country. They have a yard in Placentia de las Armas, in Spain; they have another place in Spezzia, in Italy. They are evidently taking time by the forelock. They anticipate the promise of a Mediterranean squadron. It is no wonder that I find the shares of Vickers, Armstrong and Co., Cammell, Laird, and Co. went up on the Stock Exchange after the report of the First Lord's speech. The ring also has an interest in the Whitehead Torpedo Factory in Fiume, in Austria-Hungary, and it is against Austria we are asked to lay down this Fleet in the Mediterranean. And, again, as the newspapers have reminded us so much in the last week or two, they have a place on the Volga, in Russia; indeed they have two. They have also a shipyard in South America, and in anticipation of the development of the Canadian Navy, they have laid down works in Montreal. Another component part of the trust was there before them, and John Brown and Co. have what is going to be the largest shipyard in the world in New Brunswick.

I said patriotism is not a distinguishing characteristic of the methods of these firms. As a matter of fact, these firms are not English. Their management is international and their shareholders are international. For instance, I find on examination of the share lists of Messrs. Vickers that they have shareholders living in Italy, Japan, Russia, Brazil, Canada, Australia, China, Spain and Chili; and, after all, I think we are entitled to say that these men are true internationals. Now I ask again, what is this armament ring? It comprises Vickers, Armstrong, John Brown, Cammell-Laird—the Coventry Ordnance Works is a subsidiary firm. Vickers, for instance, not only own works directly, but they are large controllers of the Wolseley Tool and Motor Company and the Electric and Ordnance Accessories Company. Messrs. Vickers not only own the business with which their name is associated, but they own a quarter of the shares of Whitehead and Co.'s torpedo manufacture; and Whitehead and Co., torpedo manufacturers, also have a large factory in Austria, building torpedoes to destroy the ships that Vickers are building now. So the shareholders of the armament ring can look forward with equanimity to whatever happens. It is no matter to them

whether it is an Austrian ship or a German ship or a British ship that sinks, they can throw up their hats and shout, "More ships, more profits, higher dividends." John Brown and Co. have a great works at Sheffield with which their name is associated, they have a great shipping yard on the Clyde bank, they have over seven-eighths of the shares of Thomas Firth and Sons, Limited, and half the shares in the Coventry Ordnance Works. But I may add that after the Mulliner incident this company changed their managing director. After the exposure of the means by which he succeeded in engineering the naval scare of 1909 the Government came to the conclusion he was not the man who ought to be retained as managing director of the firm with which the Government had contracts; therefore Mr. Mulliner was discharged, and there was appointed in his place an Admiral of the Fleet, with a salary of £7,000 a year and seven years engagement. John Brown and Co. are also associated with Beardmore; they interchanged two directors with Palmer's Shipbuilding Company and Projectile Company, and they have one director, in common with Hadfield Foundry, Limited, and with Cammell, Laird and Co., so that when you touch one of the firms of this ring you touch the others. You do not know, to use the words of the coster song, "Which is which, and which is the other." I come now to the shareholders. I find the trustee for the debenture holders in Vickers is Lord Sandhurst, who at the present time occupies the position of Lord Chamberlain. I find that the Member for the Hallam Division of Sheffield (the Right Hon. Stuart-Wortley) who rose so promptly in the debate the other day—when the First Lord of Admiralty had suggested the possibility of getting armour plate from abroad—in order to point out that there were great firms in this country who had been encouraged by the expectation of Government work to lay down expensive plant. He practically said it would be a breach of faith on the part of the Government to take away from these people the expectations they had been given. The right hon. gentleman is a debenture trustee for Vickers, and he is also debenture trustee for Cammell, Laird and Co.

Now who are the shareholders? It would be too long for me to give more than a very short selection from the list, but I find that hon. Members in this House are very largely concerned: indeed, it would be impossible to throw a stone on the Benches opposite without hitting a Member who is a shareholder in one or other of these firms. I am sorry for the sudden hilarity of my hon. friends, for the shareholders in these armament firms are not confined to Unionist Members. I find that the bishops are very well represented. Among the shareholders in Armstrong I find the name of an Hon. Member opposite as the holder of 5,000 shares—the Member—who asked seven questions in five weeks in 1909—the scare year—as to when orders for gun-mountings would be placed. The hon. Member for Osgoldcross Division of Yorkshire—I congratulate him on his election last week as hon. President of the Free Church Council—is the great Imperialist. I have often seen his portrait in the Jingo Press as that of a man who placed patriotism and Empire before

all considerations of sordid selfishness. I find that he is the holder of 3,200 shares in John Brown, and 2,100 shares in Cammell-Laird. . . . I want to say one or two words about the Harvey Trust, which was formed a few years ago, and which represented, I think, the most up-to-date and complete form of capitalist organization the world has ever seen. Its internationalism was complete. It was formed for the purpose of working certain rights in the manufacture of armour plate, and it combined together the interests in Britain of Vickers, Armstrong, Beardmore, John Brown, Fairfield, Cammell-Laird, the French Steel Company, Schneider, and others.

I find in the list of shareholders here the name of the present Colonial Secretary, and the name of the present Postmaster-General also figures as a shareholder in Armstrong. I said something about the cosmopolitan character of the shareholders list. Of course, in such a combination as the Harvey Steel Trust, it is only to be expected that a large number of foreign names would appear. I referred a moment or two back to the case of the Admiral of the Fleet, who had been appointed managing director of one of these undertakings. That is not the only instance in which men have been taken from the service of the Crown and placed directly in influential positions under this armament ring. There is, of course, a reason for it. I will not give it in my own words, but in those of a representative trade organ. There is a paper called ARMS AND EXPLOSIVES, devoted to the interests of the armament trade, and in September last this paper wrote—and I ask the special attention of the House to the quotation, because it puts the matter far more clearly than I could do:

"Contractors naturally are very keen to avail themselves of the services of prominent officers who have been associated with the work in which the contractors are interested. The chief thing is that they know the ropes, since the retired officer, who keeps in touch with his old comrades, is able to lessen some of these inconveniences, either by gaining early information of coming events, or by securing the ear of one who would not afford like favors to a civilian. . . . Kissing undoubtedly goes by favor, and some of the things that happen might be characterized as corruption. Still, judged by all fair tests the result is good. The organization of facilities for supply is maintained through times of peace on an efficient and economical basis. Manufacturers do not make huge profits, and they are enabled to survive from year to year, and to be on hand in the case of national emergency."

The thought of Armstrong subsisting on a dividend of 12½ per cent. and Vickers on 10 per cent., putting an equal amount to the reserve fund, is most affecting. Sir Andrew Noble, of the Royal Artillery, joined Armstrong in its early days. He is now chairman. There are other cases. . . .

Then we have the case of Rear-Admiral Ottley, Naval Attaché to Russia, Japan, France, United States, and Italy—so that he will "know the ropes" on both sides. He was the Secretary of the Committee of Imperial Defense, and he went from a position like this, a responsible

adviser of the Government on these important matters, to be the director of a firm which is making huge profits out of Government contracts. This was the man of whom "Excubitor" said, when he was writing his articles on the Navy, that he "acquired, as Attaché, an intimate insight into the naval methods of foreign Powers. From all sources, home and foreign, facts, figures, deductions, and suggestions are continually passing into the Naval Intelligence Department at Whitehall." Now we are arming against Italy, and this man, ex-secretary to the Committee of Imperial Defense, director of Armstrong, Whitworth and Co., is also a director of Armstrong's Italian firm, Armstrong-Pozzuoli, on the Italian coast. How can it be possible that naval secrets can be retained? Armstrong, Whitworth and Co., of Newcastle and of Italy, are in possession of the most confidential facts in relation to the doings of both the Italian Government and the British Government, and it would require a great amount of business probity to prevent them disclosing the facts from the one branch of the firm to the other. . . . There is not, as a matter of fact, a single large firm doing contract work for the Government which has not either upon its board or in its service a man who has been in the service of the Government and who knows the ropes, and who, in the words of that extract from ARMS AND EXPLOSIVES, is likely to be able to gain that various information which will be useful. . . .

Yesterday the Nobel Trust decided to call in some hundreds of thousands worth of unsubscribed capital. Vickers, too, have announced that they are going to increase their share capital by £1,000,000. Why? The First Lord told us yesterday that their general trade had declined, and that they expected to be able to accelerate Government work on account of the greater scarcity of other kinds of work. Why, at a time like this, when, judging by the evidence, one would think that we were near the beginning of a period of trade depression, should these companies increase their capital by millions? They are just beginning now preparations for another scare, which will mature in two or three years' time, and if I have the opportunity of speaking in this place two or three years hence, I shall be able to repeat the facts and the instances associated with the previous scare down to the minutest detail. I said that the First Lord stated that the relations between the Government and this armament ring were more cordial than the ordinary relations of business. They are indeed; and the Government have, during the last few years, brought forward evidence that they do appreciate the patriotic services these firms render to the Departments. One of the first acts of this Liberal Government was to ennoble Mr. Pirrie, of Harland and Wolff, and he is a debenture trustee of the Coventry Ordnance and John Brown and Company. You cannot touch one without touching the other. The ordinary man would never suspect that the great shipbuilding firm of Harland and Wolff had very much interest in armaments. All the ordinary man knows about Harland and Wolff is that it has built some of the great Atlantic liners. Mr. Hadfield, the chairman of a very successful company which for a great

many years has never paid less than 20 per cent., was knighted in 1908. . . . I may pass over the baronetcy which was given to the late Lord Furness, afterwards followed by a peerage. . . . There are others. . . . I have already referred to the fact that Vickers have works in association with the Vickers-Terni Company in Italy. They are also interested in Whiteheads Torpedo Works at Fiume, Hungary. Submarines and all the torpedoes used in the Austrian Navy, besides several of the new seaplanes, are made by the Whitehead Torpedo Works in Hungary. This firm has also a place at Weymouth. They are making torpedoes for the British Navy at Weymouth, and torpedoes with British capital in Hungary in order to destroy British ships. This reference appeared in Armstrong, Whitworth and Co.'s annual report in regard to their interests in Austrian torpedo works:

"The directors in view of the important part played by torpedoes in naval warfare, have acquired an interest in Whitehead and Company." . . .

Nobody, I think, can help feeling sympathy with a Member of Parliament who is compelled, like a commercial bagman, to go to the War Office and the Admiralty begging for orders because the maintenance of his seat depends on his success in that direction. What can I suggest as a way out of the difficulty? The first suggestion I make is that something must be done to get out of the clutches of these crooks, swindlers, and thieves, politicians, and generals, makers of armaments. . . . Year after year we hear statements in Germany and France, as well as in this country, about the wasteful expenditure on armaments. Not long since our present Foreign Secretary said that if this thing went on there could be only one of two possible results: either a Europe knee-deep in blood or bankrupt European nations. What is the use of such talk? Is European statesmanship so bankrupt that it cannot find any means of giving practical expression to what everybody professes to be their desires? I have noticed what has been to me a very painful change during the last week or two in the attitude of two or three Liberal journals upon this question. I do not hesitate to mention names—the MANCHESTER GUARDIAN, the NATION, and the DAILY NEWS AND LEADER. Three months ago they were speaking on this question in a way which gave satisfaction to all of us. But they have been practically silent during the last few weeks, and last week the NATION dismissed the whole question in one short paragraph in the news topics. What is the meaning of that? I think the explanation is that pressure has been brought to bear upon these people to remain silent. . . .

. . . The peoples of the world have in the past trusted to kings, nobles, and plutocrats, and each of them has failed. It is now for the people to trust themselves. The workers of the world have no animosities; they have no jealousies; they have no diverse interests. All they want is freedom to work and the right to enjoy the fruits of their labor. I say again we echo, in the same sentiments as our comrades in the French

Parliament and the German Reichstag, our determination to do what we can to change national opinion and national ideas upon this question, and I do not despair of our doing so. The dawn comes slow—how slow!—but it does come, and I believe that out of the chaos and strife that now prevail there are rising brighter and better times, when nation will no more lift up its hand against nation, and when all the people of the earth will realize that of all the great and priceless blessings of humanity, the greatest of all is peace.

## Appendix II

KARL LIEBKNECHT

### *Reichstag Speech. April 18, 1913*

"The works at Dillingen are largely financed with French money, and in which French and German capitalists cooperate with touching solidarity in bleeding the German people.

"The German Arms and Ammunition Factory asked for a paragraph to be inserted in the *Figaro* stating that the French War Office intends to accelerate the proposed provision of new pattern machine guns. This company proposed to spread false news simply in order to create a demand for further expenditure in Germany and so to bring grist to its mill.

"We have never before had such proof of the patriotism of the armament firms! Perhaps you think the case must remain unique. . . . I am now able to show you that the executive of the Frederick Krupp Steel Works maintained in Berlin until a few weeks ago an agent named Brandt whose business it was to get into touch with naval and military officials and to bribe them to give information as to confidential documents whose contents were of interest to the firm: construction details, results of experiments, and especially the prices at which other firms had tendered or been given orders. Large sums were placed at Brandt's disposal for these purposes. This famous firm systematically uses its great financial resources to seduce superior and inferior Prussian officials into the betrayal of military secrets. This has been going on for years. These confidential reports are, or were, carefully docketed and deposited in the confidential safe of a certain Herr von Dewitz, at Essen. . . .

"To return to the Dillingen firm. The intimate connection between his firm and *Die Post* is common knowledge. The *Rhenish-Westphalian Gazette* also bears on its brow the brand of the capital interested in armaments. These capitalists coin money out of international discord, working into one another's hands from country to country. . . .

"This system must be made an end of. . . . The Krupp firm should receive no orders whatever under the new military estimates. The war material industry must be nationalized in order to remove for ever this danger of interested makers of panics."

Reply of the war minister, General von Heeringen:

"The last speaker has exaggerated the whole affair in crediting the armament firms with making European history. . . . It is not the case that I favor the private industry. But we are dependent upon it. In critical times we must have great masses of materials immediately ready. This cannot be secured in a state factory. On the other hand, we cannot give the private firms enough orders to keep them solvent in peace time. Hence they are dependent upon foreign orders. Who gets the advantage of that? Unquestionably the class which they support! (Loud laughter.) The affair of the Arms and Ammunition factory is several years old; it has already been discussed in the Reichstag and disposed of. As regards the Krupp affair, I regret that the honorable member has brought it up. I have asked him in the interest of the inquiry, to make no reference to it at present. . . .

(Dr. Liebknecht: "But the inquiry is closed!")

"No, at present all that is established is that an under official of the firm in Berlin has secured sergeants and others to give him information which it was a breach of their official duty to communicate. There has been no betrayal of military secrets affecting the safety of the Empire. The extent to which the directorate of Krupps is implicated has not at present been established. I beg you therefore to suspend judgment for the present as regards the firm. The German Army is indebted to this firm for century-long cooperation."

Dr. Pfeiffer, of the Centrum (Catholic Party), confirmed the fact that French capital participated in the Dillingen works. . . . The war minister, he said, had sung the praises of Krupps, but it had been proven that in 1901 Krupps reduced its price in America but not in Germany.

Liebknecht, April 19, 1913, continued:

"Secrets have been betrayed. The minister must be aware of that. . . . If Krupps collapsed, a mortal blow would be dealt our patent Patriotism. One has only to observe how a part of the press is taking these disclosures. The *Deutsche Tageszeitung* speaks of 'a deep insult to the Krupp firm'; the *Taegliche Rundschau* consigns my account of the affair to an obscure corner, and gives prominence to whitewashing communications.

"Krupps as patriots! Does the minister for war remember that in 1868 Frederick Krupp, ironmaster in Essen, wrote a letter to a certain Napoleon III of France? . . .

[This letter will be found in the text.]

"It only remains for a halo to be quartered in the Krupp coat of arms with the name of Napoleon III inscribed on it.

". . . Every clear-headed person knows that there is at the present



day no greater danger to European peace than the French and German army estimates. And the German army estimates are certainly, and the French no less certainly, in a large degree the produce of the intriguing of that sort of despicable business-patriots of whom I have spoken.

"My action was necessary in the public interest; it was a duty to expose the danger to society caused by the practices of the armament interests. . . .

"I referred yesterday, at the beginning of my speech, to the armour-plate concerns. You are aware—all the world knows it; there are many gentlemen here who know the ins and outs of these things better than we on these benches—that the armament interests are all associated together in a ring. It is also common knowledge that Krupp's is the foremost name, the greatest power in the armament industry. Well, if what I have laid before you goes on, and can no longer be denied, in this firm, the most respected of them all, what an insight that gives us into the whole industry! What are we to expect in the other undertakings associated with the industry? The utmost caution becomes essential, everything is suspect. The Minister for War should institute a general and remorseless investigation into the proceedings of every firm. For if this can happen in Krupps and in the Arms and Ammunition Factory, there is nothing to guarantee us against similar practices in other firms; nay, I might almost say that there is a good deal of probability that their methods will be no more respectable than those of these two great firms. I have much regretted that the War Minister has failed to realize this conclusion. We have seen in the Dillingen firm the internationality of the armament interests. Krupps also are quite openly associated in a great Austro-Hungarian concern.

"It should be beyond question that all this is of the utmost importance to the welfare of our country. What have I shown I have proved that the German Arms and Ammunition Factory spreads false news in foreign newspapers in order to create a demand in Germany for further military expenditures. I have shown that the firm of Krupp engages in bribery to secure the betrayal of military secrets and has done so for years, and, at the very least, with the knowledge and instigation of highly-placed employees of the firm. These are matters of the utmost importance, which render it necessary that the Reichstag should reconsider its attitude to the question of our armaments and the method of providing the required matériel. Let me point out that to cultivate accessibility to bribes in superior or inferior officials, as the Krupp firm has done, is indeed no trifle. It is to corrupt the whole administration. It is to render the officials doubly vulnerable by any offers of bribery from foreign agents. That is no 'large-hearted manifestation of patriotic feeling' wherewith to earn such thanks as the Minister for War expressed yesterday. These people who, as Krupps and Dillingen and the Arms and Ammunition Factory, talk so finely and then descend to these low business tricks, these are the same people who will pocket

the greater part of the fresh millions of pounds that are being extracted from the nation's pockets; the same people into whose pockets untold millions flow each year, the same people who draw the biggest profits from present-day militarism and the capitalist system, and who are the worst intriguers against popular liberties, the instigators of oppressive measures, the loudest shouters for vindictive legislation, for exceptional laws. They are the same people who dare to call the Social Democrats the enemies of their country. These pattern patriots must be judged by their actions, which, to say the least, border on high treason. I have done my duty in bringing this affair to notice; there remains much to be done by the War Minister before it is closed. There must be no white-washing and no hushing up. This is a Panama affair, it is worse than Panama. We shall wait to see whether the Government will find the necessary energy to proceed as the case demands against the powerful firm of Krupps and this whole all-powerful capitalist clique; and we shall see whether the majority in this Reichstag will draw the conclusions that ought to be drawn in the interest of the German nation and of European peace. . . .

"As you know, it was the *Lokalanzeiger*, the official organ of the military camarilla, that first published the news that the War Minister would probably soon reach the end of his tenure of office. But the minister would be assured of the firm support of every responsible organ of public opinion, and of the great mass of the German people, if he insists to the utmost of his power upon the most searching inquiry into the proceedings of the armament firms. . . . We have the voting of the salaries of the War Department, and we have the right to demand and receive full information concerning the administration of the Department and all that goes on within its precincts. The Minister of War will certainly meet with great opposition from those interested in concealing the machinations of the armament interests. There are powerful capitalist cliques which control the armament orders and other capitalist undertakings, partly industrial concerns and partly very influential banks, are intimately associated with them. Apart from this, one has to expect a certain pseudo patriotism to spread the fear that too much may be laid bare and Germany exposed to the censure of the world.

"The War Minister will be faced with strong inducements to let the whole matter alone, and it will be for him to decide, like Hercules at the cross roads, whether he will forego the sympathy of the capitalists in order to gain that of the great masses of the people. A special difficulty in the way of this inquiry will arise from the fact that certain official posts, especially in the military administration, are systematically used as mere waiting places for fat livings in the private industry. The connection between the military bureaucracy and high officials of the armament firms is very close, and such officials, formerly of high military rank, go freely in and out of the Government works.

"I have recently shown clearly enough that the intrigues of the arma-

ment interests are not confined to Germany, but are of international scope. After the revelations of *Humanité* concerning the French armament firms, it is clear enough that a good many shady transactions took place about the time of the outbreak of the Balkan War. But I will confine myself to Germany. The patriotic Solingen Arms Factory is very jubilant over orders from Russia, with which country we might at any moment be involved in war. The War Minister has disowned association with the Dillingen works. I await news from him in regard to his colleague, the Minister for the Navy, who has a great deal to do with Dillingen. The War Minister attempted to explain away the letter of the German Arms and Ammunition Factory. He is probably the only person who can swallow the tale that the letter was merely a feeler. The letter was written in 1907, and published in *Vorwärts* in 1910, when, strange to say, no notice was taken of it. It was then referred to in the Reichstag, and one of its signatories, Herr von Gontard, who to-day is the leading spirit of this firm, was then made a member of the Prussian House of Peers, in virtue of the King's especial trust in him. Three years ago he was widely rumored to be in the running for the portfolio of the Minister of War. . . .

"I will place the Arms and Ammunition Factory before you in yet another rôle. We have now documentary proof of the international linking-up of the armament concerns. The German Arms and Ammunition Factory, the Mauser Arms Factory, the Austrian Arms Factory of Vienna, and the National Factory in Belgium, concluded an agreement in 1905 in regard to Russia, Japan, and Argentina, and later a second agreement in regard to all other countries. Under these agreements particular countries are reserved to each firm. . . . The agreement guarantees profits in the same way as the Navy contractors have done, and guarantees to each of the various firms the monopoly of the exploitation of particular countries. Supplies of arms to Bulgaria and Roumania are the monopoly of the Austrian firm. . . . This document shows as plainly as could be the extreme danger to peace offered by the armament industry, and it shows the unscrupulous and unpatriotic character of armament concerns. . . . But the greatest danger lies in the armament shareholders and their servants who work unremittingly for the piling up of inflammable material and the setting of the fuse. Immediately after the debates in the Reichstag, which raised so much dust—and in which the *Post* was itself involved—that paper did its utmost to arouse feeling against France by a series of attacks which brought down the Chancellor's condemnation. You need not wonder if, in view of all this, we continually warn the great mass of people that behind all the gaudy pomp of patriotic fooleries stands nothing but the sordid greed of gold. For the maintenance of peace it is necessary to expose before the whole world those capitalist cliques whose food is international unrest and discord. It is necessary to warn the peoples that they are in danger, not from the enemies beyond their borders, but from the armament firms in their midst."

## Appendix III

*Extracts from: United States Naval Affairs Committee (Senate)  
Hearings. 21st Congress.*

### Alleged Activities at the Geneva Conference

In 1927 the warship builders got together at the call of their advisor. It read:

Council of American Shipbuilders (Inc.).

New York, March 13, 1927.

Messrs. C. L. Bardo, F. P. Palen, S. W. Wakeman.

Gentlemen: This will notify you that Mr. F. P. Palen has arranged for you to meet Mr. W. B. Shearer at my office, No. 111 Broadway, at 12 o'clock noon on Thursday, March 17, 1927. It is important that you attend this conference.

Yours very truly,

Henry C. Hunter, Counsel.

Mr. Schwab: I am glad of the opportunity to express publicly the policies that I have always insisted upon for the Bethlehem Company, that we were never to take any interest politically in propaganda, or in any other way of that kind; that we were to run the Bethlehem Steel Company as a strictly business concern, built up on its merits. As to work of that sort I have never been in favour of it, and I will never be in favour of it.

Senator Shortridge: Do the books of your company disclose the various sums, if any, expended in the way of employing observers or writers? (Mr. Schwab left a definite answer to Mr. Grace.)

Senator Robinson of Arkansas. You did not take the trouble to look him (Mr. Shearer) up and make inquiries about him.

Mr. Wakeman. No, sir; I did not.

Senator Robinson. Is that the custom of your company in employing individuals for a confidential mission?

Mr. Wakeman. No; it is not. This was an act of my own, Senator. . . . I think I was just "jazzed" off my feet on that proposition, if you want to know.

Senator Allen: You did not attach any significance to the fact that the merchant marine fund, which started out as a fund, obviously, for lobbying here in Washington, was continued to cover lobbying at Geneva?

Mr. Ferguson (President, Newport News Shipbuilding Co.): No, sir.

Mr. Shearer: My purpose as they understood it, was to see that the United States would get out their side of the story at Geneva; that we would get a treaty of parity if possible, and, if it was not a treaty of

parity, no treaty. . . . I was the only man that had ever given them service, though they announced that they had paid \$150,000, but they got very little or nothing out of it. . . .

Mr. Shearer: I had with me letters from practically every patriotic society in the United States, who endorsed my stand . . . the Native Sons of California, the Daughters of the American Revolution and the National Security League, and a number of other patriotic associations which had supported me more or less in my own ideals of what I was trying to do, in bringing out the important points of national defense.

Exhibit No. 112 (Page 543) Letter. From Wythe Williams, *New York Times*, dated August 30, 1927, thanking Mr. Shearer "for the most accurate information you were able to supply not only to me, but to all the American correspondents. . . . That at least was one conference the United States did not lose. . . .

"Will the pacifists, reformers, and other species of sellers out finally prevail? Will the United States fulfill its destiny and become the Great American Empire, or will it eventually merely be a rich industrial adjunct to England. . . . I know how they hate us. And I'm sick of them, heartily. 'Nuff said."

Mr. Shearer: Wythe Williams, if you will read his letter, thanked me for the information and said he could not cover the conference without it. The *Chicago Daily News*, Mr. Decker, says the same thing. Henry Wales, of the *Chicago Tribune*, says the same thing. The newspaper boys were very appreciative of the facts so that they could cable them to the United States.

Senator Allen: Very well. What credentials did you have in Geneva? . . .

Mr. Shearer: . . . and Henry Wales, representing the *Chicago Tribune* gave me this card and then he gave me this card. . . .

Senator Allen: So that you went in on credentials representing the *New York Daily News*?

Mr. Shearer: Appointed by Mr. Henry Wales, who was the representative of the *Chicago Tribune*.

Mr. Shearer: When Wales arrived at the 1926 or 1927 conference at Geneva, he said "I have been ordered from Chicago to get into touch with you." He did not mention the name of Colonel McCormick nor of Mr. Patterson. . . . Henry Wales and myself became very good friends. Then Wythe Williams came along, and he said James, the Paris editor . . . told me to get into contact "because you knew your stuff, and from now on I am ready to shoot whatever you send out". At the end of every conference always Wythe Williams and always Henry Wales would go to my apartment. . . . On many occasions in the evening we would go over to the La Residence the hotel which has been mentioned, where Admiral Reeves lived. It is an enormous restaurant. We would all sit around, Admiral Reeves, Admiral Schofield, sometimes Commander Train, sometimes Commander Frost, and others, and Wales and Williams, and,

on one or two occasions, Pearson edged in, never invited, I assure you. Now I will tell you what we discussed. . . .

Testimony, pages 538 and 539:

Mr. Shearer: My publicity campaign continued in the Hearst papers, *Washington Post*, journals, and weeklies, . . . I . . . have advised certain patriotic societies in their campaign against the pacifists.

Senator Allen: I want to ask you, for their good as well as for the general information of the country, this question. There have come into this hearing, in testimony, the National Security League, the Daughters of the American Revolution, the American Legion, the American Defense Society, the National Committee of Defense.

Mr. Shearer: Yes, sir.

Senator Allen: Have you been employed by them or any one of them?

Mr. Shearer: I have never been employed by them. I have been their speaker and their adviser for years.

Senator Allen: Who, Mr. Shearer, has been bearing the expense of this mass of propaganda material that has been going out since they (the ship interests) separated you from the pay roll?

Mr. Shearer: Mr. W. R. Hearst. . . . I called up Mr. Willicomb, Mr. Hearst's private secretary, and said I had received a letter from Commander McNutt expressing himself not only for the Navy but opposed to the World Court, and if Mr. Hearst thought it was right, I believed that the patriotic organizations would take the same stand as the American Legion.

Finally the rupture of diplomatic relations. An angry scene with Mr. Palen:

Mr. Shearer: I said, "Mr. Palen, what is behind this?" Mr. Palen said, "Schwab does not want to be tabulated or accused of being behind all the 'Big Navy' propaganda. He don't want to be tagged with it"—exact words—"He don't want to be tagged with any such charge."

The next morning I went to Mr. Hunter's office, and Mr. Hunter, Mr. Bardo, Mr. Smith and Mr. Palen gave me my finish. I said, "Surely you are not going to punish me for your own mistakes? I am not to be the victim of success? You are not going to make me walk the plank? Your great mistake was made by your own attorney." In his enthusiasm, Mr. Hunter had called up the head of the Navy League here in Washington, who was very close to the Secretary of the Navy—Mr. Wilbur, Secretary of the Navy at that time—and suggested me as the Navy Day speaker. Well, Mr. Wilbur does not need any more information than that, does he? The Council of American Shipbuilders suggesting me for the Navy Day speaker! That was not clever.

(Exhibit 17, page 615): Letter from Mr. Bardo to Mr. Shearer. . . . As previously advised, the shipbuilding and ship repair companies have created an organization for the purpose of taking care of the requirements of the industry in a commercial and legislative way. We are subscribers to this program, and its cost will be substantial. We have every reason to believe that it will function effectively. . . .

## Appendix IV

### The Navy League Unmasked

Speech of HON. CLYDE H. TAVENNER of Illinois

*in the House of Representatives, December 15, 1915*

... I wish to read to the House from a weekly stock-market letter of a New York stock brokerage firm as to the extent of these profits. This is the stock-market letter of the firm of Gilbert & Elliott Co., of New York. I will not read the full circular but only the headlines. It is dated August 28, 1915. It says:

"Winchester Arms up 1,000 points. Colt Arms up 100 points. Electric boat up 100 points. Canadian explosives up 50 points. Du Pont declares stock dividend of 200 per cent."

This is the stock-market report. Now, Bethlehem Steel stock at the outbreak of the war could have been bought for \$40 and as low as \$30. Yesterday Bethlehem Steel stock sold for \$474. In other words, if you had had an investment of \$40 in a share of Bethlehem Steel at the beginning of the war, your profit because of war would have been \$434. By this we may obtain some idea as to the staggering profits that accrued to the Wall Street war trust magnates who owned millions and millions of dollars worth of munitions stocks. . . .

What is this Navy League? Who founded it, and who are its directors? . . .

There are 19 men in the list of founders, and of those 19 the majority were connected with concerns and establishments which, through interlocking directorates, connect in turn with manufacturers of war materials and things which go into war materials. . . .

Now I come down to the officers of the Navy League today. The president of the league, Col. Robert M. Thompson, the gentleman who was unkind enough to threaten to sue me but not kind enough to do it, is chairman of the board of directors of the International Nickel Co., the business of which, according to the Wall Street Journal, has been very much improved by the war. . . .

Col. Thompson, as president of the Navy League, was a happy selection indeed, because the steel, nickel, and copper interests, all of which will profit handsomely through war and preparation of war, interlock beautifully through him and his International Nickel Co. W. A. Clark, the Montana "copper king," is president of the Waelarck Wire Co. and Col. Thompson is one of his directors on that corporation. Then, too, Col. Thompson is president of the New York Metal Exchange.

Col. Thompson's International Nickel Co. also interlocks with the Midvale Steel & Ordnance Co., W. E. Corey being a director of International Nickel and president and director of the new Midvale corporation, which was organized recently for \$100,000,000 especially to handle the growing war-trafficking trade, and is one of the largest war-trading firms in the United States. Mr. Corey only recently retired from the presidency of the Carnegie Steel Co. and from the board of directors of United States Steel. One of the underlying concerns of the new Midvale company is the Remington Arms Co., which has a contract to manufacture 2,000,000 Enfield rifles for the British Government. . . .

International Nickel also interlocks directly with the United States Navy Department, through W. H. Brownson, retired rear admiral, who is a director of the International Nickel Co. and on the pay roll of the Government at a salary of \$6,000 a year, which is three-fourths full pay. "Who's Who" for 1914-15 gives Admiral Brownson's address as "Navy Department, Washington, D. C." Admiral Brownson is, no doubt, of more value to the International Nickel Co. in Washington, where he comes into intimate contact with fellow naval officers, than he would be any place else. . . .

Thus it will be seen that the head of the Navy League has the nickel, plenty of it, enough to last for 60 years. All that remains to be done is to get Uncle Sam to buy it. If Col. Thompson can manage to put through the Navy League's proposed \$500,000,000 bond issue for battleships, and so forth, perhaps the Nickel Trust will be able to pay even 50 per cent or 60 per cent on its common stock. If there is any more profitable way for the head of the Nickel Trust to spend his time than in Washington pointing out to the Senators and Congressmen the frightful insecurity of the Nation, it would be interesting to know how he could do it. It need not be said that he is not a great patriot, and it cannot be said that he is not a great business man. It is not every man who can make patriotism a business and make it pay 20 per cent or 30 per cent!

The Navy League upon close examination would appear to be little more than a branch office of the house of J. P. Morgan & Co. and a general sales promotion bureau for the various armor and munition makers and the steel, nickel, copper, and zinc interests. At least, they are all represented among the directors, officers, founders, or life members of or contributors to the Navy League.

Especially are all forms of big business represented, and big business invariably heads in at 23 Wall Street, New York. . . .

Is it not a rather peculiar coincidence that among those 19 patriots who stepped forth from all the millions of American citizens to save the Republic by advocating larger appropriations for battleships, every armor-making concern in the United States should be represented? And that the greater half of the 19 patriots were connected with firms that would directly profit from such propaganda? And that most of



those who were not directly concerned with such firms were connected in some manner with individuals or firms that would profit? . . .

The navy leagues of the various powers coöperate with one another just as the armament interests do, and there is a reason. They *are* the armament interests, with large memberships of sincere, patriotic men and women and many of the most prominent citizens roped in through false pretense.

Behind the war trust is the most powerful group of men in the United States, if not in the world. Its control is in the hands of the same group of money kings that rule the insurance companies, railroads, and steamship lines. To realize the colossal power of the capitalists behind the steel, armor, ammunition, and shipbuilding companies and recall the desperate ends to which more than one investigation has revealed they will go to satisfy their sordid greed for gold, and then to contemplate that the United States in war means more in dollars to this group than the United States in peace, is enough to justify the most optimistic man to tremble for the peace of this patriotic and Christian people. . . .

The following are the steel companies which have representation in the Navy League:

1. United States Steel Corporation, represented through J. P. Morgan, director of Navy League and United States Steel; Robert Bacon, director of Navy League and United States Steel; Elbert H. Gary, contributor to Navy League and chairman of the board of directors and chairman finance committee United States Steel; Henry C. Frick, honorary vice president Navy League and director United States Steel; George F. Baker, jr., contributor to Navy League and son of director of United States Steel. The late J. P. Morgan was a founder, contributor, and director of the Navy League and the organizer and a director of United States Steel. Charles M. Schwab who is shown in Moody's Manual for 1903 as then president of United States Steel, is shown by the official journal of the Navy League for 1903 to have been one of the founders of the league in July of the same year.

2. Bethlehem Steel Corporation, represented through Charles M. Schwab, one of the founders of the Navy League and president of Bethlehem, which controls the San Francisco Dry Dock Co., the Union Iron Works Dry Dock Co., of San Francisco, the Fore River Shipbuilding Co., Harlan & Hollingsworth Corporation, and the Titusville Forge Co. Bethlehem is also represented in the Navy League through Allan A. Ryan, contributor to the Navy League and director of Bethlehem; George R. Sheldon, honorary vice president of the Navy League and stockholder of Bethlehem; Charles F. Brooker, a former honorary vice president of the Navy League and stockholder of Bethlehem. The above held stock in Bethlehem on September 27, 1915 as follows: Charles M. Schwab, 38,451 shares; Allan A. Ryan & Co., 13,910. Charles F. Brooker held 474 shares on April 10, 1915. Robert H. Sayre, a former general manager of Bethlehem, was a life member of the Navy League, and

Lieut. J. F. Meigs, resigned, an employee of Bethlehem, was a life member.

3. Carnegie Steel Co., represented through those connected with the United States Steel Corporation, of which it is an underlying company, and was also represented before its connection with United States Steel through ex-Secretary of the Navy Benjamin F. Tracy, attorney for the Carnegie Co. and one of the founders of the Navy League, and indirectly through Albert B. Boardman and James R. Soley, who was associated with Mr. Tracy.

4. Harvey Steel Co., represented through S. S. Palmer, one of the founders of the Navy League and president of the Harvey Co., and through ex-Secretary Tracy, who was also the attorney for Harvey Co. The Harvey Co. was therefore also indirectly represented through Mr. Boardman and Mr. Soley.

5. Lackawanna Steel Co., represented through Beekman Winthrop, director of Lackawanna and director of the Navy League, and through Ogden L. Mills, contributor to the Navy League and director of the Lackawanna. James Speyer, life member of Navy League, was until recently a director of Lackawanna.

6. Cambria Steel Co., represented until recently by E. T. Stotesbury, of the firm of J. P. Morgan & Co. Mr. Stotesbury was a director of Cambria and honorary vice president of the Navy League.

7. Midvale Steel Co., one of the founders of the Navy League.

8. Eastern Steel Co., represented through Harry Payne Whitney, one of the founders of the Navy League and director of Eastern Steel.

9. Pennsylvania Steel Co., represented through E. T. Stotesbury, member of firm of J. P. Morgan & Co., honorary vice president of the Navy League, and director of Pennsylvania Steel.

10. Pacific Hardware & Steel Co., represented through D. H. Kane, life member of Navy League and formerly director Pacific Hardware & Steel Co.

11. Federal Steel Co., represented through E. H. Gary, contributor to Navy League and president and director of Federal Steel.

12. Illinois Steel Co., represented through E. H. Gary, contributor to Navy League and director of Illinois Steel.

13. Minnesota Steel Co., represented through E. H. Gary, contributor to Navy League and director of Minnesota Steel.

14. Union Steel Co., represented through E. H. Gary, contributor to Navy League and director of Union Steel.

15. American Steel & Wire Co., New Jersey, underlying property of United States Steel Corporation. (See United States Steel.)

#### Copper

Robert M. Thompson, founder, honorary vice president 1903-1909, director 1904-1914, chairman executive committee 1913-14, president Navy League 1915: President Orford Copper Co.

Andrew Fletcher, jr., member W. & A. Fletcher Co., life members Navy League: Director Union Copper Co.

Rodolphe Agassiz, honorary vice president Navy League 1915: Director La Salle Copper Co.; director Superior Copper Co.; director Centennial Copper Mining Co.; director and president Isle Royale Copper Co.; vice president and director White Pine Copper Co.

William A. Clark, director Navy League 1914-15: President and director United Verde Copper Co.

Cleveland H. Dodge, life member Navy League: Director Copper Queen Consolidated Mining Co.; vice president and director Detroit Copper Mining Co.; director Moctezuma Copper Co.; vice president Phelps, Dodge & Co.

J. H. Harding, contributor to Navy League: Director Amalgamated Copper Co.

A. C. James, life member Navy League: Vice president and director Burro Mountain Copper Co.; vice president and director Copper Queen Consolidated Mining Co.; vice president and director Moctezuma Copper Co.; director Detroit Copper Mining Co. of Arizona.

E. Meyer, jr., contributor to Navy League: Director Braden Copper Mines Co.; director Inspiration Consolidated Copper Co.; director Utah Copper Co.

#### Zinc, Lead and Brass

E. T. Stotesbury, honorary vice president Navy League 1915: Director Riverside Metal Co.

W. J. Matheson, contributor to Navy League: President and director Matheson Lead Co.

A. C. James, life member: Director American Brass Co.

Charles F. Brooker, honorary vice president 1909: President and director American Brass Co.

Rodolphe Agassiz, honorary vice president 1915: Director United Zinc & Chemical Co.

S. S. Palmer, founder: President and director Empire Zinc Co.; treasurer and director Mineral Point Zinc Co.; president and director New Jersey Zinc Co.

H. W. Hayden, contributing member: President and director Manhattan Brass Co.

Myron T. Herrick, honorary vice president 1903-1909, 1915: Director United Zinc & Chemical Co.

Cleveland H. Dodge, life member of Navy League: Director American Brass Co.

#### Nickel

Seward Prosser, contributor to Navy League: Director International Nickel Co.

Robert M. Thompson, president Navy League 1915, founder, honorary vice president 1903-1909, director 1904-1914: Chairman board International Nickel Co.

## The Nineteen Founders

Herbert L. Satterlee  
 J. W. Miller  
 J. Pierpont Morgan  
 Benjamin F. Tracy  
 Seth Low  
 Clement A. Griscom  
 Thomas Lowry  
 Timothy L. Woodruff  
 Midvale Steel Co.  
 Anson Phelps Stokes

George Westinghouse  
 R. S. Sloan  
 John J. Astor  
 R. M. Thompson  
 Charles M. Schwab  
 John J. McCook  
 Harry Payne Whitney  
 George B. Satterlee  
 S. S. Palmer

## Appendix V

How the War Trust is Robbing the Government While Driving  
 Us on Toward the Brink of War. (Appendix to the  
 Congressional Record)

EXTENSION OF REMARKS OF HON. CLYDE H. TAVENNER,  
 OF ILLINOIS

*in the House of Representatives, February 15, 1915*

. . . I mean to say that those Army and Navy officers who do the purchasing of war munitions and who are paid a salary by the people and are trusted by the people to see that the Government receives a dollar's worth of material for every dollar expended have permitted a ring of ammunition manufacturers to outrageously overcharge Uncle Sam for armor, guns, powder, and munitions in general.

For instance the War Department in 1913 purchased seven thousand 4.7-inch shrapnel from the ammunition ring, paying \$25.26 each therefor. At the same time precisely the same shrapnel was being manufactured in the Government-owned Frankford Arsenal for \$15.45, all overhead charges included. . . .

This instance is not the exception; it is the rule. The Army and Navy officers in 20 years have purchased \$175,000,000 worth of armor, armament, and munitions from four firms which have a monopoly in this country on the manufacture of such supplies and have paid this grasping war trust from 20 to 60 per cent more than the same articles could have been manufactured for in Government plants. . . ."

What Becomes of the \$250,000,000 Annually?

. . . The American people have never been let into the secret of who the profit makers are in the traffic of war and preparation for war in this country, and the methods by which they help themselves at the

public trough. I will go further and venture the assertion that not 80 Members of Congress know the identity of the select ring of patriots for profit into whose pockets the millions of the masses are pouring, which gentlemen have a water-tight monopoly in this country on the traffic of war trading, and who have drawn down every penny of \$50,000,000 in excessive and extortionate profits from the Government by direct virtue of their influential friends in the Army, the Navy, and in Congress. Lest any gentlemen in high places should resent the implication of being friends of the War Trust, I hasten at the outset to concede their contentions that they are patriots; yes, all of them.

Congress can investigate the war trust until it is black in the face, and it will get nowhere. The Secretary of the Navy can try as he will to get some one to underbid the armor ring, either in this country or abroad, and he will not be able to escape the net; he has tried and has not been able to escape it. Independent capital is afraid to enter into competition with the armor ring, so deeply rooted is it in the local field, and if the Secretary of the Navy seeks relief from abroad, even in time of peace, he is doomed to disappointment, because the American branch of the international armor-plate ring works in harmony with the European colony, and vice versa, as I shall endeavor to show.

Armor, armament, and ammunition contractors are not big enough fools to cut each other's throats. Their business is to supply for a gigantic profit the wherewithal for the peoples of the earth to enjoy a monopoly of throat cutting and the pulling of limb from limb. As for themselves, they do not indulge in price-cutting warfare. Their game is purely profit making. They start the ball rolling by making nations distrustful of one another, and then in inducing them to overprepare for war. Does anyone doubt that if the European nations had not been so overprepared for war they would have been so willing to have entered into it?

Both Washington and Lincoln advocated the nationalization of the manufacture of war munitions as sound public policy. Government manufacture as a policy need have no bearing whatever on the question of whether we shall have a large or small Navy. . . .

If the Government will manufacture all of its own war materials, millions of dollars will be saved annually to the taxpayers as a result of the already demonstrated ability of Uncle Sam to manufacture at a cost much below the prices of the war trust.

Fortunate indeed would it be for this Nation to-day if the Government had a monopoly of the manufacture of all munitions of war. It is not the average American, the man who will be required to do the fighting and pay the bills if we become embroiled in the European conflict, who is jeopardizing our peace.

The average American is remaining at home, attending to his business. It is the ring of war-trafficking private arms and ammunition firms who are endangering the peace and welfare of 100,000,000 people in order that they may satisfy their greed for profit. If we go to war,

it will not be on account of anything the average American has done, but because as a Nation we have neglected to safeguard our peace by taking the profit out of war and preparation for war.

### Who the War Traders Are

Because I believe it is my duty to do so, I desire now to take the responsibility of directing the attention of the American people to the fact that their money appropriated for the Army and Navy is being wasted by the millions, and to take the responsibility of identifying the war traffickers, so that the taxpayers may know where the millions upon millions of their money that has been dumped into the bottomless pit of militarism have been going, are going, and will continue to go unless public opinion shall arise in its might and demand that further waste of public funds shall cease.

To begin with, who and what is the armour ring, if there really is such an animal? Is the term "armor ring" a mere figure of speech, something invisible, or is it possible definitely to place our finger upon it? Answer: It is possible.

The armor ring is the Bethlehem Steel Co., the Midvale Steel Co., and the Carnegie Steel Co. These three firms, exclusive of their subsidiary war-trafficking auxiliaries, have drawn down since 1887 from the Navy Department alone for the single item of armor plate contracts aggregating \$95,628,912, divided as follows: Bethlehem, \$42,321,287; Carnegie, \$32,954,377; Midvale, \$20,353,298.

I have just stated that the armor ring is composed of the Bethlehem, Midvale, and Carnegie companies. Remember the names!

Now, the armament ring is composed of Midvale, Bethlehem, and Carnegie. Ammunition ring, Carnegie, Midvale, and Bethlehem. We will add to the ammunition ring, for good measure, the Du Pont Powder Trust, which has no competitors in the sale of smokeless powder to the Government for reasons that will appear most remarkable when explained. The Powder Trust has obtained contracts aggregating about \$25,000,000 since 1905. From the Army and Navy combined the other three concerns—Bethlehem, Carnegie, and Midvale—have obtained orders since 1887 exceeding \$150,000,000.

There are a few concerns dealing in ammunition of small caliber and others specializing in certain patented articles that obtain contracts, but such contracts are mere crumbs which fall from the lap of the four big war-trading concerns which constitute the War Trust. . . .

Recently the Secretary awarded a contract for building 100 torpedo flasks, including heads. He induced a new firm to slip in with a bid, and was able to purchase for \$58,246 materials which under normal conditions would have cost \$115,075. The bids of the Bethlehem and Midvale companies, under real competitive bidding, showed a reduction of 44 per cent as compared with bids for similar forgings submitted by these companies only four months previous.

## History of Armor is one Long Scandal

It would require several volumes to cover all the transactions deserving publicity concerning armor. Let it be sufficient in passing to say that the Government purchase of armor has been a scandal from start to finish. The conduct of the armor ring in dealing with the Government averages throughout at least 80 per cent rotten.

There have been nine official estimates as to the actual cost of the manufacture of a ton of armor plate. The average estimate is \$247.17 per ton. Yet since 1887 we have purchased 217,379 tons of armor, paying the armor ring an average of \$440.04 per ton, or a total of \$95,656,240. I believe I am well within the bounds of conservatism when I say that if all this armor had been manufactured in a Government plant at least \$35,000,000 would have been saved to the American taxpayers, and armor is only one of the things being purchased by the Army and Navy under similar conditions. . . .

Take powder. We have purchased \$25,000,000 worth of powder from the trust since 1905, paying for it all the way from 53 cents to 80 cents per pound. We are manufacturing powder in Government plants now for 36 cents per pound, and the officers in charge state that the more we manufacture, the cheaper we can produce it. There is little doubt but that from eight to ten million dollars of the twenty-five million dollars paid the Powder Trust could have been saved by Government manufacture. . . .

## To Depend Upon Private Contractors for Munitions in Time of War is to Place the Government at the Mercy of Proven Extortionists

Army and Navy officers generally are opposed to complete Government manufacture of munitions of war, taking the position that it is the part of wisdom for the Government to encourage private manufacturers to operate plants so that they may be available in time of war. Experience has shown, however, that instead of patriotically coming to the relief of the Government in time of war, the war traders take advantage of the necessities of the Government, which is at their mercy, and boost their prices. For instance, when war with Spain was imminent the armor manufacturers practically issued an ultimatum to the Government that they would not manufacture a single piece of armor plate unless the Government should agree to pay them \$100 a ton more than the price fixed by Congress after an investigation as a fair price. And it is also worthy of notice that their patriotism did not prevent them from selling armor to Russia for \$249 a ton, while they were asking their own Government \$616 a ton.

That the Du Pont Powder Trust practiced similar extortion during the Spanish War would seem to be indicated in the following question and answer on page 82 of the Fortifications bill hearings of 1908:

"Question: How was it during the war—did they (the Powder Trust) put up the price tremendously?

"Gen. Crozier. That is a little hard to say. I think we paid \$1 a pound, and then the price was reduced to 80 cents."

We are now manufacturing powder in Government plants for 36 cents a pound, every conceivable overhead charge included, and paying the trust 58 cents a pound. . . .

In the Naval hearings for 1914, page 621, the present Secretary of the Navy, Josephus Daniels, used the following language in referring to an advertisement for bids for armor plate for the dreadnaught *Pennsylvania*:

"When we came to the armor we rejected all the bids, and were then absolutely in a situation from which it appeared there was no relief. Though you can not establish it in black and white, there is no doubt of an Armor Plate Trust all over the world. That is to say, the people abroad who make armor plate will not come here and submit bids, because they know if they do our manufacturers will go abroad and submit bids. They have divided the world, like Gaul, into three parts." . . .

The Bethlehem Steel Co. (Ltd.) held 4,801 shares in the Harvey Co. With the Bethlehem Co. was at this time joined Harlan & Hollingsworth, of Wilmington; Union Iron Works, of San Francisco; and Samuel L. Moore & Son, at Elizabeth. Mr. Schwab, the power behind the Bethlehem corporation, had also a \$10,000,000 subcontract for armor and gun mountings of two Argentine dreadnaughts building by the Fore River Shipbuilding Co., which he has acquired, and by the New York Shipbuilding Co. . . .

#### Methods of the War Traffickers in Keeping up Business

There are tricks in all trades. If the peoples of the several powers can be incited to mutual distrust, suspicion, and hatred, for instance, it means increased dividends for the stockholders of the war traffickers in each country.

The several leading powers aim to increase their naval strength in the same proportion. If one of the powers can be induced to take on an additional superdreadnaught, it is used as an argument as to why the other leading powers should do the same. It works as an endless chain, with the war burden ever and ever increasing on the backs of the taxpayers of the world.

If a new design can be worked out, that, too, means more grist for the shipbuilders. It calls for the speedy "scrapping" of the vessels already on hand as "obsolete", "scrapping" meaning throwing on the scrap heap as old junk. So the life of the battleship is ever lessening.

Another trick in the trade of the war traders which is obviously profitable, otherwise it would not be continued, is the hiring of retired Army and Navy officials and ex-Members of Congress by the powder, armor, and shipbuilding concerns. These ex-officials know the inner



workings of the military branches of the Government, know the personnel in an intimate way, and by private conversation, by correspondence, and in various ways are in a position to obtain much useful information. They know how to go about things for results. Through these ex-officials the War Trust has become thoroughly at home in Washington.

There seems to be no limit to the extremes to which the war traders are willing to go for business.

Although scarcely believable, it is the proven fact that British and German war trusts many years ago actually set about to represent to their respective home Governments that their rivals were planning to build and building great armadas of giant fighting craft, which have since been proven absolutely to have been figments of the imagination pure and simple. The same character of campaigns has been going on between France and Germany, between the countries in the triple alliance and the triple entente, and it is yet to be established whether the United States of America has not also been the victim of a similar brand of commercialism, in which patriotism is the means and profit the end.

Misrepresentation as to the building programs of Great Britain and Germany was carried on to such an extent that the papers became full of it, and the suspicion of the people toward each other grew and grew. It was inevitable that there could be but one end to such proceedings, and that end war.

Specific information, replete with details, is available to show just how the work was carried on. . . .

#### Positive Evidence of International Combine

The powder makers of the world, like the armor makers, have been in an international combine for years. Here are two paragraphs in the world agreement entered into in 1907, which agreement was used by the Government in its suit against the Du Pont trust:

"Whenever the American factories receive an inquiry for any Government other than their own, either directly or indirectly, they are to communicate with the European factories through the chairman appointed, as hereinafter set forth, and by that means to ascertain the price at which the European factories are quoting or have fixed. Should the European factories receive an inquiry from the Government of the United States of North America or decide to quote for delivery for that Government, either directly or indirectly, they shall first in like manner ascertain the price quoted or fixed by the American factories and shall be bound not to quote or sell below that figure.

. . . . .

"The American factories are to abstain from manufacturing, selling,

or quoting, directly or indirectly, in or for consumption in any of the European territory, and the Europeans are to abstain in like manner from manufacturing, selling, or quoting, directly or indirectly, in or for consumption in any of the countries of the American territory. With regard to the syndicated territory, neither party is to erect works there, except by a mutual understanding, and the trade there is to be carried on for joint account in the manner hereinafter defined."

Nor is this the worst: The Du Ponts and the Government have always been in the habit of exchanging all secrets in the manufacture of powder. Government chemists and Government officers are continually experimenting to improve the quality of powder, and whenever they make a discovery of any character full information is furnished the Du Ponts.

And the Du Ponts have been in an agreement with a German firm—the United Rhenisch Westphalian Gunpowder Mills—to keep it informed of all improvements in the processes of powder making.

Here is the actual wording of the contract:

"Tenth. That any and every improvement upon said processes of either of them made by either of the parties hereto at any time hereafter shall forthwith be imparted to the other of the parties hereto."

And even this is not all. The Du Ponts agreed to keep the German concern informed at all times of all powder furnished to the United States Government, stating in detail its quality and characteristics, and even the quantity, making themselves, to all practical ends, paid informers of a foreign Government.

Here is the exact language:

"Thirteenth. That the parties of the second part (the Du Ponts) will, as soon as possible, inform the party of the first part (the German concern) of each and every contract for brown powder or nitrate of ammonia powder received by the parties of the second part from the Government of the United States, or any other contracting party or parties, stating in detail quantity, price, time of delivery, and all of the requirements that the powder called for in such contract has to fulfill. . . ."

#### Business Relations Between Army Officers and Bethlehem Co.

While a captain in the Army, Gen. Crozier perfected what is known as the Buffington-Crozier disappearing gun carriage. The gun was constructed in Government gunshops by Government workmen at Government expense, hundreds of thousands of dollars being used to perfect the carriage.

When the device was perfected a patent was taken out on it by Capt. Crozier and Gen. Buffington—then Chief of Ordnance—in their own names. The application for the patent was made by Capt. Crozier and Gen. Buffington at the suggestion of the Bethlehem Co.

In 1894 the two officers sold the patent to the Bethlehem Co., giving them the rights as against all makers or users except the Government of the United States. (See S. Doc. 887, 1st sess. 57th Cong.)

The two officers were paid \$10,000 cash by the Bethlehem Co., which concern further agreed to pay Capt. Crozier and Gen. Buffington royalties on all gun carriages sold to foreign nations until the same should amount to \$40,000 or \$50,000 in all. The amount of the royalties was to be as follows:

For each 8-inch carriage.....	\$1,000
For each 10-inch carriage.....	1,500
For each 12-inch carriage.....	2,300

It was claimed at that time the disappearing carriages would revolutionize warfare, and the prospect for a big sale of the carriages seemed bright. The fact that the Bethlehem Co. owned the patent meant that all countries desiring to purchase the carriages would be compelled to purchase from Bethlehem and pay the Bethlehem price, although the United States Government was left free to manufacture them in its arsenals if it chose.

Immediately after the contract was entered into, I am informed, the Bethlehem Co. sent agents to Europe to reap the harvest. . . .

#### Government Manufacture of War Supplies is the Only Sure Method of Protecting Taxpayers from Military Extravagance

When all the profit is taken out of war and preparation for war, but not until then, we may expect relief from the systematic agitation now being carried on by the Navy League and other friends of the armor ring, the ammunition ring, and the Shipbuilding Trust for an ever and ever increased amount of armament, which agitation is especially systematic and pronounced about the time the Army and Navy bills are before Congress each year. Should the Government manufacture all of its munitions, I predict that the Navy League would not only lock the doors of its suite in the National Capital, from which it carries on its lobbying morning, noon, and night, but that the same patriots for profit who are now clamoring for a bigger and bigger Navy, in the certain knowledge that if their agitation is successful they will draw down contracts worth millions, will be among the loudest in their protestations against an annual expenditure of \$250,000,000 for war in time of peace. . . .

Two billion dollars have been collected in 10 years from the men, women, and children of our Nation for militarism, a sum sufficient to dig the Panama Canal, pay off the national debt, with enough left to defray for one whole year the entire expenses of all the churches, including foreign missions, all the free schools, colleges, and universities in America.

#### Voice of God or Voice of Greed?

On the 22d of May, 1894, the House passed a resolution authorizing the Committee on Naval Affairs to investigate the charges of fraud

filed against the Carnegie Steel Co., then Carnegie, Phipps & Co. The investigation was made by a subcommittee consisting of Messrs. Cummings, Money, Talbot of Maryland, Dolliver, and Wadsworth. The evidence was large and convincing. Here is some of the evidence bearing directly upon the question of fraud in the manufacture of armor plate by this apostle of peace, to whom the voice of the President is the same as the voice of God.

Charles M. Schwab was then superintendent of the company, but is now president of the Bethlehem Steel Co., and one of the 43 Carnegie-made millionaires. He testified that the armor plate did not "receive uniform treatment"; that they did not make any armor plate that did not "have blowholes"; that the "blowholes" were "plugged" and kept "concealed" from the Government inspectors; that he knew of this. The document which contains all this evidence is House of Representatives Report No. 1468, Fifty-third Congress, second session. . . .

Mr. Carnegie's company was found guilty of fraud upon the Government, and damages of \$600,000 were assessed against his company, but he managed to compromise for \$140,000. The fact that the Carnegie Company defrauded the Government did not seem to impair in the least its standing with the Navy Department. Mr. Carnegie was given larger contracts than ever. . . .

One Secretary of the Navy—B. F. Tracy, 1889-1893—made contracts with the Carnegie Co. and the Harvey Steel Co. worth large sums to them, and was criticized for not having properly protected the interests of the Government in his transactions with these two armor concerns. After his term as Secretary of the Navy expired, he became counsel for both companies; but a close scrutiny of his dealings with the Harvey and Carnegie companies while he was Secretary of the Navy develops grave doubts as to whether his legal services to the Carnegie and Harvey companies could have been one-half as valuable to these concerns as his official acts as Secretary of the Navy had been. . . .

The "big-Navy-to-be-built-by-private-contractors" policy will meet with the approval of the armor ring, the ammunition ring, and the Shipbuilding Trust. It will also be eminently satisfactory to the Navy League of the United States, which organization has from the first been an adjunct of the house of Morgan, and is constantly agitating a larger and larger Navy, but, mind you, not a larger Navy to be built at the lowest possible cost with a Government armor plant and in Government shipyards, but a larger Navy to be built by the armor ring, the ammunition ring, and the Shipbuilding Trust.

## Appendix VI

Hon. Clyde H. Tavenner of Illinois—House of Representatives  
Wednesday, May 3, 1916

[Appendix to the Congressional Record—1916  
Page 861]

The following Wall Street names contributed to the Navy League  
June 10, 1915

J. P. Morgan estate, \$2,000; R. M. Thompson, chairman of the board of directors of the International Nickel Co., \$1,000; E. H. Gary, chairman of the board of directors of the United States Steel Corporation, \$1,000; Jacob H. Schiff, a director with J. P. Morgan on the National City Bank of New York; \$1,000; George F. Baker, Jr., director of the First National Bank of New York and a son of a director of the United States Steel Corporation, \$1,000; Allan A. Ryan, director of the Bethlehem Steel Corporation, \$250; L. L. Clarke, director of the war-trafficking American Locomotive Co., \$250, etc.

Frank Tilford .....	\$2,500	G. F. Baker, Jr.....	\$1,000
J. P. Morgan estate .....	\$2,000	B. M. Baruch .....	\$500
J. G. Bennett .....	\$2,000	J. H. Harding .....	\$500
R. M. Thompson .....	\$1,000	A. B. Forbes .....	\$250
J. H. Schiff .....	\$1,000	W. Guggenheim .....	\$250
E. H. Gary .....	\$1,000	A. A. Ryan .....	\$250
John Markie .....	\$1,000	E. Myer, Jr. ....	\$250
R. F. Cutting .....	\$1,000	L. L. Clarke .....	\$250
C. A. Fowler .....	\$1,000	W. J. Matheson .....	\$250

## Appendix VII

### League of Nations

Conference for the Supervision of the International Trade in  
Arms and Ammunition and in Implements of War

*Geneva June 17, 1925*

### PROTOCOL

"THE UNDERSIGNED PLENIPOTENTIARIES, in the name of  
their respective Governments:

WHEREAS the use in war of asphyxiating, poisonous or other gases,

and of all analogous liquids, materials or devices, has been justly condemned by the general opinion of the civilised world; and

WHEREAS the prohibition of such use has been declared in Treaties to which the majority of Powers of the world are Parties; and

TO THE END that this prohibition shall be universally accepted as a part of the International Law, binding alike the conscience and the practice of nations;

DECLARE:

That the High Contracting Parties, so far as they are not already Parties to Treaties prohibiting such use, accept this prohibition, agree to extend this prohibition to the use of bacteriological methods of warfare and agree to be bound as between themselves according to the terms of this declaration."

## Appendix VIII

### League of Nations

#### Report of the Temporary Mixed Commission on Armaments

*A 81.1921, Geneva, September 15, 1921*

##### 5. *Private Manufacture.* (Report of the 1st Sub-Committee.)

The settlement of the two preceding questions—the right of investigation and the right of mutual control, cannot fail to have satisfactory results in the direction of disarmament. Among the special measures likely to facilitate and hasten the general solution of the problem, none is more important than the regulation of private manufacture.

The Temporary Commission for the Reduction of Armaments has constituted a Sub-Committee to which it has referred the subject of private manufacture of munitions and the execution of the provisions of Article 8 of the Covenant.

The Sub-Committee has held six meetings and submits the following interim report:—

The Covenant recognises that the manufacture by private enterprise of munitions and implements of war is open to grave objections. What are these objections? They are not defined by the Covenant; they cannot be extracted from the deliberations of the Committee which drafted the Covenant. It is, however, common knowledge that the public mind is strongly prejudiced against the uncontrolled private manufacture of munitions and implements of war, and that it is a common belief that

wars are promoted by the competitive zeal of private armament firms, and would be rendered less frequent were the profit-making impulse brought under control or eliminated altogether. In general, the objections that are raised to untrammelled private manufacture may be grouped under the following headings:—

1. That armament firms have been active in fomenting war-scares and in persuading their own countries to adopt warlike policies and to increase their armaments.

2. That armament firms have attempted to bribe Government officials both at home and abroad.

3. That armament firms have disseminated false reports concerning the military and naval programmes of various countries, in order to stimulate armament expenditure.

4. That armament firms have sought to influence public opinion through the control of newspapers in their own and foreign countries.

5. That armament firms have organized international armament rings through which the armament race has been accentuated by playing off one country against another.

6. That armament firms have organised international armament trusts which have increased the price of armaments sold to Governments.

Another objection of a somewhat similar kind has been submitted to the Temporary Commission:—

Some of these companies were not taking the requisite steps to provide for the amortisation on a large scale of the cost of the quite exceptional plant installed to meet the special requirements of the war, and were thus injuriously affecting the economic conditions of production, and impeding economic recovery.

The Sub-Committee is unable to-day to reach a final conclusion upon the difficult and complicated topic submitted to its consideration. It cannot at the present stage of its deliberations either recommend the abolition of private manufacture or advise upon the particular steps to be taken to control it should it be decided that on the balance of advantage private manufacture must be allowed to continue. The Sub-Committee must then content itself for the present with indicating some of the difficulties which confront the total abolition of private manufacture and some of the problems which have to be faced before a complete code of regulations can be recommended, should regulation ultimately be preferred to prohibition. Accordingly, the following observations are offered with reference to the two alternative courses of prohibition and regulation:—

1. *If private manufacture were altogether forbidden*, it would result that all manufacture of munitions and implements of war would be conducted by State enterprise. In the consideration of such a course, the following difficulties have been suggested by some Members.

- (a) The Covenant seems to refer only to those evil effects attendant

upon private manufacture which may affect international relations. Questions of internal policy involving domestic sovereignty are here excluded, as indeed elsewhere, in the Covenant. In other words, the provision in the Covenant seems to deal with private manufacture only in so far as it affects the growth of armaments and relations between States, but not in so far as it affects the domestic industrial system.

(b) A recommendation that private manufacture be abolished would doubtless be objectionable to States which do not produce all the munitions which they need. Such States would probably feel that it would be more difficult to get the necessary supplies from foreign Governments than from foreign firms.

(c) As international law stands to-day, the supply of munitions or implements of war by a neutral Government to a belligerent Government would constitute a violation of neutrality. In time of war, therefore, a belligerent would have to depend upon its own production and upon what it could get from its Allies. This might mean that all Governments would feel themselves called upon to prepare for the eventualities of war by storing up large stocks of munitions and by equipping themselves with large munition plants.

(d) The abolition of private manufacture might result in the establishment of many new armament plants by the Governments of non-producing States. Such Governments could, of course, undertake to manufacture munitions to meet their own needs, there being no restriction on the export of iron and coal. In this way, non-producing States might become producers.

(e) Governments might—in some countries—find it more difficult than private firms to reduce their armament establishments on the cessation of war, owing to the Parliamentary pressure exerted by the representatives of labour engaged in the production of armaments.

(f) Few industrial enterprises work exclusively for the manufacture of war material. For the most part, the great armament firms are establishments of a composite nature, whose activity in normal times is chiefly directed to peace industries.

(g) It is difficult to define war industries. Optical and chemical industries are all-important in war. Aviation is an industry at present distributed among a considerable number of different factories. How far, then, should State ownership extend? Does not the acceptance of the principle of State ownership of war industries lead logically to the State ownership of all industries?

(h) State arsenals for the complete manufacture of arms and munitions would have to include, in addition to a large number of mechanical workshops, a complete metallurgical plant and a factory for the chemical products required in the manufacture of explosives. It is doubtful whether States will face the expenditure involved. Nor would such a State arsenal ever attain to an output corresponding to its means of production.

*2. If private manufacture were not forbidden it might be subjected to*



*control.* Various possibilities for controlling private manufacture with a view to preventing possible attendant evil effects have been suggested in the course of the discussion. The following are referred to for the purpose of indicating the lines which may be followed in future investigations:—

(a) The possibility of a requirement that no munitions or implements of war, including warships, may be exported without a license of the Government of the exporting country, with perhaps a special provision covering the issue of licenses by neutral Governments for exporting munitions to belligerents.

(b) The possibility of a requirement that no munitions or implements of war may be imported without license of the Government of the importing country.

(c) The possibility of a requirement that such licenses as those mentioned in (a) and (b) must be registered with the League of Nations and published by the League.

(d) The possibility of a requirement that no munitions or implements of war be manufactured without Government license, and possibly that such license be published by the League of Nations.

(e) The possibility of a requirement that all shares in companies devoted chiefly to the manufacture of munitions be registered, and not simply bearer shares, and should therefore be transferable only by registration on the books of the company.

(f) The possibility of a requirement that armament firms and companies should publish full accounts of their armament business, and that such accounts should be publicly audited.

(g) The possibility of requiring the publication of lists of holders of shares in armament companies, and of restricting the classes of persons who may hold such shares, e.g., on grounds of nationality.

(h) The possibility of taking measures to prevent armament firms and companies or persons largely interested or holding responsible positions in such firms or companies, from owning, controlling, or unduly influencing, the newspaper press.

(i) The possibility of regulating the issue of patents on munitions or implements of war to non-nationals.

#### 6. *Traffic In Arms.* (Report of the 1st Sub-Committee.)

The United States was one of the signatories to the Convention of St. Germain, but, so far as we can learn, the Convention has not yet been submitted to the Senate for ratification. We understand that fresh legislation would be required in the United States in order to enable the export of arms (except to certain limited areas) to be controlled. It has, however, become clear to us that, if the American traffic in Arms is not controlled, the Convention of St. Germain is likely to remain inoperative, since any attempted control of the arms traffic by the other States might merely result in transferring the source of supply to the United States.

## Appendix IX

### Article 8 of the Covenant of The League of Nations

The Members of the League recognize that the maintenance of peace requires the reduction of national armaments to the lowest point consistent with national safety, and the enforcement by common action of international obligations.

The Council, taking account of the geographical situation and circumstances of each State, shall formulate plans for such reduction for the consideration and action of the several Governments.

Such plans shall be subject to reconsideration and revision at least every ten years.

After these plans shall have been adopted by the several Governments, the limit of armaments therein fixed shall not be exceeded without the concurrence of the Council.

The Members of the League agree that the manufacture by private enterprise of munitions and implements of war is open to grave objections. The Council shall advise how the evil effects attendant upon such manufacture can be prevented, due regard being had to the necessities of those Members of the League which are not able to manufacture the munitions and implements of war necessary for their safety.

The Members of the League undertake to interchange full and frank information as to the scale of their armaments, their military, naval, and air programmes, and the condition of such of their industries as are adaptable to warlike purposes.

## Appendix X

*(From the Statistical Year Book of the Trade in Arms and Ammunition, League of Nations, 1932)\**

### THE WORLD TRADE IN ARMS AND AMMUNITION

The Exports of Arms and Ammunition from the most important arms producing countries

	1928		1929		1930	
	Value \$1,000	%	Value \$1,000	%	Value \$1,000	%
Belgium.....	1,638.0	2.8	3,042.9	4.8	2,445.1	4.4
Denmark.....	2,335.2	4.0	1,536.7	2.4	1,056.1	1.9
Spain.....	1,303.7	2.2	2,248.2	3.5	975.3	1.8

\* Warships, Tanks, Airplanes, etc., are not listed by the League.

## IRON, BLOOD AND PROFITS

			1929		1930	
	Value \$1,000	%	Value \$1,000	%	Value \$1,000	%
United States.....	10,724.9	18.1	10,734.5	16.8	6,462.3	11.7
France.....	8,743.1	14.8	9,374.5	14.6	7,141.8	12.9
Italy.....	3,236.7	5.5	3,706.6	5.8	3,766.2	6.8
Japan.....	250.1	0.4	272.5	0.4	1,026.8	1.9
Netherlands.....	2,317.6	4.0	2,755.0	4.3	2,965.4	5.4
Great Britain.....	19,993.3	33.8	21,727.4	33.9	17,019.3	30.8
Sweden.....	2,752.3	4.7	3,001.8	4.7	4,273.8	7.8
Czecho-Slovakia.....	2,160.9	3.6	3,197.3	5.0	5,274.1	9.6
WORLD TOTAL.....	59,239.0	100.0	64,091.0	100.0	55,201.5	100.0

## CHINA'S WAR PREPARATIONS

Importation of arms and ammunition according to countries of origin  
(Note: China imported 37.5% of its arms from Japan for Sino-Japan War)

	1928		1929		1930	
	Value Hk. Taels	%	Value Hk. Taels	%	Value Hk. Taels	%
ARMS AND AMMUNITION:						
Germany.....	3,208,897	28.1	1,203,500	31.3	4,008,800	25.7
Belgium.....	16,154	0.2	629,817	16.4	2,284,691	14.7
France.....	19,398	0.2	52,524	1.4	11,323	0.1
Great Britain.....	34,577	0.3	45,126	1.2	570,349	3.7
Italy.....	.....	.....	.....	.....	135,945	0.9
Norway.....	4,868,550	42.7	227,735	5.9	473,563	3.0
Poland.....	2,536,646	22.3	.....	.....	.....	.....
United States.....	49,216	0.4	193,737	5.1	1,112,563	7.1
Hong Kong.....	171,659	1.5	430,734	11.2	1,084,816	7.0
French Indo-China...	34,301	0.3	75,243	2.0	11,337	0.1
Japan (incl. Formosa)	393,005	3.4	976,841	25.4	5,844,543	37.5
Other countries.....	67,912	0.6	3,772	0.1	40,612	0.2
TOTAL.....	11,400,315	100.0	3,839,029	100.0	15,578,547	100.0

## JAPAN

Importation of arms, according to countries of origin  
(Note: 51.9% from Germany, but a large part is Skoda munitions shipped via Hamburg)

	1928		1929		1930	
	Value 1,000 Yen	%	Value 1,000 Yen	%	Value 1,000 Yen	%
ARMS AND AMMUNITION:						
Germany.....	2,098	53.0	1,558	43.4	1,066	51.9
Belgium.....	708	17.9	357	10.0	243	12.1
Spain.....	131	3.3	149	4.2	20	1.0
France.....	137	3.5	732	20.4	20	1.0
Great Britain.....	815	20.6	618	17.3	627	30.5
Other countries.....	69	1.7	169	4.7	72	3.5
TOTAL.....	3,958	100.0	3,583	100.0	2,053	100.0

## JAPAN

Exportation of arms, according to destination (Note: 89.2% to China)

	1928		1929		1930	
	Value 1,000 Yen	%	Value 1,000 Yen	%	Value 1,000 Yen	%
AMMUNITION:						
China.....	236	43.8	65	11.0	1,855	89.2
Province—Shantung...	300	55.7	508	86.0	217	10.5
Other countries.....	3	0.5	18	3.0	7	0.3
TOTAL.....	539	100.0	591	100.0	2,079	100.0

## Appendix XI

Exportation of Arms, Munitions or Implements of War to  
Belligerent Nations

*Hearings . . . Committee on Foreign Affairs House of Representatives 70th Congress 1st Session H. J. Res. 183 March 15-22, 1928*

Hon. Dwight F. Davis, Secretary of War

SECRETARY DAVIS: In the beginning, I am not concerned in the slightest with the question of the munitions industry from the standpoint of profits or anything of that sort. I wish that all profits or the question of money could be taken out of the question of munitions in industries. I am not concerned with that in the slightest. In fact, our whole plan under the responsibility put upon us by Congress is based upon the idea that we hope to eliminate, in case we are ever again forced into war, the possibility of slackers and profiteers. . . .

In our studies we find that to supply an army requires the provision of some 35,000 different items made up of 700,000 component parts. . . .

There are two ways in general in which nations can supply themselves with munitions. They can have large governmental arsenals capable of making tremendous supplies more or less secretly, or they can rely on the private industry of the country.

I think it has been American policy, and I believe I agree heartily that it is wise to adopt the second of these alternatives; certainly it is a non-militaristic way of providing for the national defense. . . .

MR. (MORTON D.) HULL (Illinois): You said earlier that you were not interested in the profit end of the business and hope the profit end of the business could be eliminated. How can you reconcile a program of that kind with the maintenance of private industries in this business?

SECRETARY DAVIS: Because it is essential to the national defense unless you are going to build up Government arsenals.

MR. HULL: Private industries can not be maintained without profits.

SECRETARY DAVIS: No; but as I said, in our plans which are so thoroughly studied, we hope to eliminate any inordinate and enormous profits which may be made in time of war.

MR. (CYRENUS) COLE of Iowa: Is it your opinion that by permitting these exports of munitions you keep our munitions makers in practice, keep them as going concerns so that they will be ready in case we become involved in war ourselves?

SECRETARY DAVIS: That certainly was the experience in the World War.

MR. COLE of Iowa: Should we keep our factories in practice by permitting them to send those munitions abroad to kill other people with whom we have no controversies at all? Would it not be better if we financed our factories outright instead of permitting them to finance themselves by exporting arms to assist those carrying on war against people with whom we have no grievances?

SECRETARY DAVIS: That is a question which, I believe, has been studied at every international conference, and . . . a prohibition . . . has always been opposed by the nonproducing countries, and I think, has been opposed by our own delegates. It raises a rather big question.

MR. HULL: . . . Would it not seem to be necessary to foment trouble in the outside world to keep our factories in practice so that you could have adequate supplies?

SECRETARY DAVIS: I do not think so. . . .

MR. HULL: But as a condition for the utilization of private industries for the manufacture of munitions and implements of war, you must have war going on to keep your factories in practice.

SECRETARY DAVIS: As far as actual manufacture is concerned, yes; . . .

MR. HULL: What is the answer to the dilemma? It is a logical dilemma, fomenting trouble, to keep it going to take care of the potential demands in case we get into war.

MR. COLE of Iowa: We thought it was not humanitarian, to say the least, to keep our factories in practice for making munitions by permitting them to export them to nations that unfortunately happen to be at war with each other. Why should we help them kill each other in foreign countries just simply to keep our own factories in shape to make munitions in the event we get into it?

MR. (HAMILTON) FISH (JR., New York): Every thinking man knows that by the shipment of munitions to belligerent nations by private industries, we will be dragged into that war. . . . If we are going to act on this resolution the only time to act is in time of peace.

MR. HULL: I will call your attention to the fact that there was an embargo (probably said "cargo") on munitions and war supplies on the Lusitania were given as the explanation or excuse for the sinking of the Lusitania. Is it not true as indicated by that experience, that it does not keep us out of war but gets us into war when they ship munitions that way? . . . They might not have a right to object, but they sunk the ship.

MR. DAVIS: That in my opinion is an act of war against us.

MR. (HENRY ALLEN) COOPER (Wisconsin): . . . Yet now, although nearly 10 years have elapsed since the fighting ceased, you have just been asserting here the necessity of our being prepared for an army of 2,000,000 men in this country and talking about the danger, if we should have a public manufacture or governmental manufacture of arms rather than private manufacture. The private manufacturer of munitions of war has back of him always the opportunity for profit. There are men in America today, I am afraid, from a conversation I overheard when the World War was about to end, who would deliberately sacrifice lives if it would tend to gorge their respective pocketbooks. A man said on a train in my hearing "I hope they will not sign the armistice; I have a contract to run about another six months. I would like to finish that." He would make money and his neighbor's children would go to death. . . .

SECRETARY DAVIS: . . . You remember that in the World War munitions were delivered to Germany through Sweden and other countries.

Statement of Charles H. Herty,  
adviser to the Chemical Foundation New York City

MR. HERTY: . . . I no longer am connected with the industry . . . I own no stock in any chemical concern and never have, and for that reason I can give, to a certain extent, an impartial discussion of certain points in regard to the bill. . . . I have the deepest sympathy with the purposes of this resolution. I go so far as to regret exceedingly that Congress has not seen fit to join the World Court. . . . I regret that, with proper reservations, we did not join the League of Nations to get our men sitting around a table to plan an understanding that will avoid war. . . . In connection with this matter of the chemical industry, Mr. Chairman, there are many who . . . have been led not by commercial thoughts but by the belief that through a complete rounding out and firm establishment of that industry, we were contributing in our way to increasing the national defense. . . .

Two weeks ago I attended a great meeting of chemical executives of the chemical industry at the Department of Commerce on the invitation of Mr. Hoover, and the whole burden and emphasis of that meeting was that the chemical industry must seek greater export fields. . . .

We are faced all of a sudden with a combination of the European chemical industries under the cartel system. . . .

In the midst of that comes another development. Our banks today are floating loans, taking the money of the investors of this country and directing it toward the support of the European chemical industries which are banded together as a unit in this commercial struggle that is now getting under way between this country and Europe. . . .

THE CHAIRMAN (STEPHEN G. PORTER, Pennsylvania): I understand that in case of war your factories could be converted in 10 or 15 days to furnish poison gases to the Government. . . .

MR. HERTY: Absolutely. . . . I think some of our factories in a week's time could be turning out the most powerful materials for our armaments. . . .

THE CHAIRMAN: . . . It would not be necessary for your company to manufacture for the belligerents, in order to prepare your plant to furnish materials to our Government in case we became involved in the war? You are ready at all times without any preparation?

MR. HERTY: The material is standing there in the plant. . . .

THE CHAIRMAN: In other words, you could be ready in 10 days.

MR. HERTY: That argument was used with Congress itself to make that point clear, . . . that is the basis of the protection given by Congress, . . . to insure that the industry should be developed so that it would be ready for national defense.

MR. (R. WALTON) MOORE (Virginia): That is to say, while not necessary to manufacture its acid in order to protect the interests of the United States, a concern engaged in the business would send out its picric acid to be used for war purposes in a contest between two nations with which we would be at peace. Now, from the moral point of view, what do you think of that?

MR. HERTY: I think that manufacturers living under our laws as they do would have a right legally and morally, when called upon, to furnish materials in the ordinary course of business transactions, to carry that out. . . .

MR. MOORE of Virginia: . . . I am asking you, in any conceivable case of war, human nature being what it is, is there any doubt at all that the exportation of picric acid would be started, the stuff to be used to kill people? I am asking you whether that is the moral position to take, any more than for a bootlegger to distribute poisonous liquor to injure people?

MR. HERTY: I can not see those two cases on all four legs.

THE CHAIRMAN: . . . There is no necessity for the chemical industry to ship to belligerents simply for the sake of preparedness in case we become involved in war. That is what I had in mind.

MR. HERTY: Only to this extent, that where other chemical producing countries like Germany, England, and France, might be called upon for the same material and supplies they are that much further ahead in the industrial race.

. . . . .

MR. HULL: Is not the gist of your objection that it simply interferes with the profits of the business?

MR. HERTY: Of course, there are profits incidentally, although I think there is so much competition in the chemical industry that there is very little profit in it. It would interfere with the legitimate, normal production in furnishing these peace-time articles.

MR. BLOOM: Getting back to Mr. Hull's question, the only thing that your company or your association is concerned about is the profit that would come from selling munitions. It is not a patriotic gesture on your part or your association.

MR. HERTY: It is a question whether you are selling all munitions or selling peace-time products. . . .

MR. (MELVIN J.) MAAS (Minnesota): How does that (the proposed law) affect it?

MR. HERTY: It affects it unfavorably financially and would perhaps, leave the industry on a wobbly financial footing.

MR. MAAS: You do not mean to say that the industry is dependent on a war. You are dependent on peace-time developments.

MR. HERTY: Our industry is dependent on competition with so many industries.

MR. MAAS: In time of war?

MR. HERTY: Any time.

. . . . .

MR. MAAS: How will it be affected?

MR. HERTY: Because the chemical industries of other countries with which we are in very keen competition are not bound by this resolution at all.

MR. MOORE of Virginia: That is, they would make more profits out of war than otherwise they would make?

MR. HERTY: They would make more money than we would.

MR. BURTON: Do you claim your association should have the right in war time to furnish belligerents any of your commodities, the same as other manufacturing countries? Is that your contention?

MR. HERTY: Yes.

MR. BURTON: Does not that lead inevitably to this situation, Doctor—let me state this to you, and I want your candid answer—that your industry is interested in the continuance of wars in foreign countries?

MR. HERTY: I do not think so at all.

MR. BURTON: Why not?

MR. HERTY: Because I know the men; I have lived with them; I have worked with them.

MR. BURTON: Well, why not? If you want to retain your equality with these other countries, and to obtain the profits that you would obtain in time of war, why is it not to your interest to have a continuance of wars in foreign countries?



MR. HERTY: Because I think our people are of a different type from that.

MR. BURTON: Well, if they are of a different type from that, why are they not willing to suspend the shipment of chemicals and explosives for killing people?

MR. HERTY: You ask them to do that; and yet here is the British industry and the French industry that will continue to supply munitions to belligerents; and you can not stop them; and, therefore, this resolution will not have the slightest effect in preventing war.

THE CHAIRMAN: Do you not think if we took the lead, other nations would be very likely to follow our example? Again I repeat my question, because it is the crux of the whole resolution. Is it not better to have this traffic in the control of the Congress than to leave it in the hands of the munitions makers, some of whom, at least, would act only with a view to profits, and despite the harm that would result? Can you not answer that question, "yes"?

MR. HERTY: I am afraid—no; I can not answer it yes right off; because I think it too much of a gesture, this resolution—a hopeless, fruitless gesture.

Statement of Hon. Curtis D. Wilbur, Secretary of the Navy.  
(Secretary Wilbur read a letter signed by him, prepared by the General Board of the Navy, and "expressing the mature judgment of the Navy". It said in part):

Summing up the situation:

(1) The Navy Department can see no useful result which would come from legislation binding by municipal law this country to the special burden forbidding international trade in arms permitted by international law, and punishing its citizens for international trade permitted by such law.

(2) The annulment of the present freedom of action and exercise of discretion now reposing in the President to meet future conditions is contrary to sound administration and invites embarrassing and difficult situations.

In view of all these considerations, the department considers that international traffic in arms and munitions should continue to be controlled as heretofore, under international law, by the importing sovereign, the exporting sovereign remaining, as heretofore, free of entangling engagements.

(Page 77. Chairman stated U. S. manufactured \$4,000,000,000 worth of munitions during 1914-1917—American pre-war period)

MR. FISH: The question before us is whether private munitions makers shall have control over sending munitions abroad or whether the power should be lodged in Congress.

SECRETARY DAVIS: It is also bringing in the private munitions makers as being the cause of war. I have never seen a war in all history brought on by that, certainly not in this country, and the matter of getting into war or not getting into war is always in the hands of Congress.

MR. FISH: I want this on the record. I do not know of any factor that tends more to get the United States into war with foreign nations than by permitting or continuing the same policy in future foreign wars of private munitions makers sending munitions to the nations who are belligerents and going always to the side that controls the sea.

THE CHAIRMAN: . . . Everybody is for peace just as long as it does not interfere with economic interests. Inasmuch as nine wars out of ten result from economic antagonisms, it is difficult to preserve peace. That is the whole story.

SECRETARY DAVIS: My position is not due to economic reasons. . . . Nor the position of anybody that I have heard. I have never heard of anybody that had an economic interest, whether they were opposed or not. My interest is not from that standpoint.

MR. COOPER: I understand the chemical interests objected to it largely because it would interfere with their profits.

SECRETARY DAVIS: Probably they did. They are the only ones.

THE CHAIRMAN: They were the first objectors, primarily, as they themselves stated, because it would interfere with their profits.

MR. COOPER: . . . For private individuals or corporations in this country to make fortunes out of the manufacture of munitions of war used in fighting battles between nations with which we are at peace is wrong morally, fundamentally wrong. . . . If the United States of America, the most powerful of nations, should by adopting the Burton resolution put a stop to this traffic and thus in effect declare that it is morally wrong for us to help murder people with whom we are at peace, would not that have a tremendous effect upon public opinion throughout the world?

SECRETARY WILBUR: I do not really know.

Statement of Hon. Theodore E. Burton in review of testimony in hearings on H. J. Res. 183, to prohibit the exportation of arms, munitions or implements of war to belligerent nations.

. . . The objections to the resolution may be grouped under several classes.

First, Those who emphasize the profits from domestic manufacture of the articles, the exportation of which the resolution seeks to forbid.

It certainly is the sentiment of the committee that this argument should not have weight. Our country can not afford to enjoy profits from the manufacture of death-dealing implements, or promote an industrial or business interest which depends for its success upon foreign wars.

## Appendix XII

## Exportation of Arms or Munitions of War

## Hearings before the Committee on Foreign Affairs

*House of Representatives. 72nd Congress 2nd Session**H. J. Res. 580. To prohibit the Exportation of arms or munitions of war from the United States under certain conditions.**U. S. Govt. Printing Office. Washington, 1933*

February 7, 1933. Joseph C. Green, chief, division of western European affairs, State Department.

Mr. Green stated that in 1911 the President was first given authority over the export of arms by a similar resolution, but restricted to American republics; in 1922 it was extended to those countries in which the United States exercises the right of extraterritorial jurisdiction. Since 1922 the president has from time to time declared embargoes on the shipment of arms to Mexico, Cuba, Brazil, Honduras, and Nicaragua under the authority which he already possesses. This resolution simply extends an authority which the President has already exercised for many years.

MR. (HENRY W.) TEMPLE (Penna.): . . . There are a great many people who believe it would be an advantage if weapons of war were not produced by private manufacturers at all, but by each government for itself. It would take the profit out of the sale of munitions.

MR. (MELVIN J.) MAAS (Minn.): If it is true that the production and storage of arms does lead to war, certainly. If all the warehouses all over the world were filled with munitions and instruments of war, it would have a tendency to lead to war then.

MR. MAAS: Do you believe that traffic in munitions is in itself a cause of war?

MISS (JEANETTE) RANKIN: Yes; I believe that wars in the past have been started in that way.

MR. MAAS: . . . Miss Rankin, the causes of war appear to be a great deal deeper than simply munitions. Munitions are sold as a means of conducting war, not the cause of it. They had wars before they had powder. When they did not have powder, they used arrows and sticks and stones. I will call your attention to that fact and then I will ask your reaction. It appears that the real causes of war are economic.

MISS RANKIN: Yes.

MR. FISH: We forget the fact that we entered into the war because we insisted on shipping munitions of war and Germany, not agreeing to

our plan of shipping munitions, attacked our ships on the high seas and forced us into the war, as I remember it.

MISS RANKIN: They did not force us. We got in. Of course, we could have stayed out.

MR. FISH: They attacked ships flying the American flag, and we could not stay out.

MR. MAAS: We started shipping munitions to the allies because we had loaned them money, and the reason for lending them money was so that they could buy war supplies in this country, which was an economic cause and not a militaristic cause.

MISS RANKIN: Under the economic system war eventually comes, but in the meantime we can get rid of this habit. If we develop the habit of peace and think in terms of peace, we could cease to operate under the militaristic system.

Statement of Mr. Luther K. Bell, general manager Aeronautical Chamber of Commerce, New York, N. Y.

MR. BELL: The Aeronautical Chamber of Commerce, I might state for the record, is a member organization of the aircraft industry, representing something like 95 per cent of the production and operating facilities of the industry in the United States. . . .

(Mr. Bell introduced letters from the following aircraft manufacturers): Charles L. Lawrence, retiring president A. C. of C.; Frederick B. Rentschler, president United Aircraft & Transport Corporation; J. M. Schoonmaker, Jr., president General Aviation Corporation, affiliated with General Motors; S. M. Fairchild, Fairchild Airplane Manufacturing Corporation; Charles F. Bardt, president Great Lakes Aircraft Corporation; Lycoming Manufacturing Co.; Clayton J. Brukner, president Waco Aircraft Co.; Eclipse Aviation Corporation; G. M. Bellanca.

MR. BELL: . . . The total value of American aircraft products for the year 1932 was between twenty-two and twenty-five million dollars. As nearly as we are able to determine, the total aircraft exports in the same year were around \$7,000,000. . . .

MR. HULL: The resolution contemplates that the power vested in the President shall not be exercised except in a situation where it can be made effective and in cooperation with other nations, to be made effective to stop war. Do you want to put your group in the position of saying that they want to profit by war in that sort of situation?

MR. BELL: If I may, I will have to defer the answer to that question to Mr. Vaughan, who is the only representative of our board of directors who is here.

Mr. Guy Vaughan, director Aeronautical Chamber of Commerce, and president of the Wright Aeronautical Corporation

MR. VAUGHAN: . . . We have 12,000,000 unemployed . . . we are going to put a certain number of men out of work by diverting industry,

diverting business from this country to foreign countries. I think it is destructive.

MR. (SOL) BLOOM (New York): In what way?

MR. VAUGHAN: By taking \$7,000,000 or any part of it at this particular time and diverting it to foreign countries, \$7,000,000 being last year's export business in the aircraft industry, plus the business of other industries.

MR. VAUGHAN: . . . we have shipped 80 per cent of our total shipments for war purposes. They are distinctly military airplanes or convertible into such.

MR. HULL: Do you think your profits are more important than the effect on the world's peace by the shipment of arms?

MR. VAUGHAN: I do not think so, and as I have told you at the outset, I am not altogether speaking for the industry.

MRS. (RUTH BRYAN) OWEN (Florida): I wanted to ask by what means or representations do you promote business in military aircraft? How do you go about it to increase such business?

MR. VAUGHAN: What means?

MRS. OWEN: It seems to me a little difficult to see how you promote it . . . how do you sell the military aircraft in the countries not at war?

MR. VAUGHAN: By the same way you promote all business. . . .

Statement of Thomas A. Morgan, president, Aeronautical Chamber of Commerce of America (Inc.)

MR. MORGAN: . . . About a year ago there was an insurrection in Cuba, and with 12 American airplanes this insurrection was suppressed with practically no loss of life. Another example is that of Chile. Practically all of the Chilean Navy mutinied. That involved a navy that cost upwards of \$150,000,000, but with aircraft worth less than \$1,000,000 that mutiny was suppressed without the loss of life. . . .

(Reading prepared memorandum): The American aircraft industry wishes to support the Government of the United States in its aim to further general disarmament among nations. It wishes to do this, however, in the manner which would prevent unjustified restriction to the aeronautical industry.

The aircraft industry is a vital factor in the national defense of this country. Military experts have agreed that the first battles in the next war will be in the air. . . . The industry therefore must be maintained on a scale which renders it possible of effective emergency use. . . . A few years ago export business in American aircraft was negligible. In the last few years, however, the industry has gone after export business systematically, has sought and received excellent trade assistance along these lines from the United States Government, and has fought its way to a place at the top group of aircraft and equipment exporting nations of the world.

The peak year was 1930, when the total valuation of American exports of aircraft was \$8,800,000.

Another illustration is provided in the case of a revolution in a South American country. The existing government, recognized by the United States Government, made an important purchase of United States military aircraft, with the approval of the United States Government. . . .

Even the discussion of embargo power acts to the practical detriment of aircraft exports. Once the fear is placed in the minds of purchasers that they may be subject to an embargo they immediately begin to look for their equipment in competing countries which they feel will not hamper them with embargoes. . . .

The American aircraft industry does not agree that aircraft should be classed as munitions, arms, or war material. . . . It is true that any aircraft can be used for military purposes. . . . Agreements with other governments have been proved to be ineffective because competing countries do not keep them. . . . Experience has shown that aircraft are an effective means of preventing and suppressing revolutions, particularly for the governments of smaller countries. . . . Even the discussion of the possibility of an embargo is detrimental to the industry. . . . The export trade in aeronautical equipment is not large . . . but is especially important to the United States industry because it helps keep factories running and expert personnel together, both of which are vital to our national defense.

Statement of H. F. Beebe, representing the Winchester  
Repeating Arms Co.

MR. BEEBE: Contrary to the opinions of some, I think I can truthfully state that the American manufacturers of arms and munitions are reputable firms. They are headed by men just as loyal and patriotic to our Government as any that exist anywhere. At no time have they shown any disinclination to be governed by the instructions of the Department of State with reference to furnishing arms and ammunition to belligerents. . . .

Statement of Samuel M. Stone, president, Colt's Patent Fire Arms  
Manufacturing Co., Hartford, Conn.

MR. STONE: There is in this country now just one company that manufactures machine guns, and that happens to be the Colt Co. . . .

I appreciate the fact that the manufacturers of arms and ammunition are not standing very high in the estimation of the public generally. The press tells us that. We know how we stand in the public estimation, but we do not agree with that view, nevertheless. . . . We are not here arguing for permission to encourage warfare. That is not our disposition, despite the statements of some writers in the press. There are some rash statements made about the arms manufacturers fomenting war, but that is just as ridiculous as a lot of other things that are said. You gentlemen possibly know that there does not exist in Washington

a lobby for the promotion of the interests of munitions manufacturers, but the papers will tell you about that.

MR. MAAS: Mr. Stone, in your opinion is the possession of munitions of war the cause of war or economic maladjustments and the failure of diplomacy?

MR. STONE: I do not think it is necessary for me to answer that question, Mr. Chairman.

Statement of Hon. Edward W. Goss, a representative in Congress from the State of Connecticut (member Military Affairs Committee)

MR. GOSS: . . . Before I came to Congress I happened to be connected with a large industry in Connecticut that was a peace-time industry. . . . During the World War I personally had to train many, many men in our concern in the casting of what is known as cartridge brass. . . .

THE CHAIRMAN (SAM D. REYNOLDS, Tenn.): What is the name of the concern?

MR. GOSS: The Scoville Manufacturing Co., in Waterbury, Conn. We make no munitions in time of peace. We are not making any munitions now: . . . The Secretary of War is preparing private industry today so that in these ordnance districts everyone knows what they will be called upon to do for the next emergency.

MR. HULL: Do you think it is important that we should be permitted to sell arms and munitions to other nations in order to be properly prepared ourselves, is that your point.

MR. GOSS: Yes, sir. . . .

MR. HULL: In other words, you have got to foment war abroad in order to keep in practice, to protect ourselves.

MR. GOSS: No, sir, I believe this: As a national defense proposition, we should be in at least as good a position as any nation on the face of the earth.

Statement of F. J. Monahan, representing the Remington Arms Co.

MR. MONAHAN: I subscribe to everything Mr. Stone and Mr. Beebe said. . . . Our export business runs between 10 per cent and 20 per cent of our total ammunition business. . . . The total would be, roughly, over a period of years, on the average \$10,000,000. . . .

MR. HULL: In order to keep in tune, to keep in practice, you have got to have trouble going on in some part of the world?

MR. MONAHAN: Yes, sir.

## Appendix XIII

### First Annual Report of Secretary Daniels in 1913 Asking for an Appropriation for an Armor-Plate Factory

"I desire to recommend the passage at the earliest moment of a sufficient appropriation to begin the construction of a Government armor plant to relieve a situation which, in my estimation, is intolerable and at total variance with the principle of economy in spending Government money. It is not my intention to enlarge here upon the economic reasons that prompt me to make this recommendation, as I have already gone into them at length in a letter to the Senate in response to a request for information. It is sufficient to mention here that only three firms in this country can manufacture armor plate, and that these firms have put in bids for armor plate seldom varying over a few dollars, and in many instances being identical to a cent. Asked for reasons as to the uniformity of these bids, two of the firms replied frankly that as the contract would be divided amongst them anyway, the only effect of competitive bids would be to reduce the profits made by all of the three firms. . . .

"By manufacturing armor plate in its own plant the Government will be able to keep for its own use any improvements in the manufacture or composition of its armor that may be developed. The last word has not been said in armor, and past history shows that great improvements in the manufacture and design of armor plate have been made. The greater part of these improvements were suggested by actual experience gained by naval officers. Under our present system of obtaining our armor plate from private companies such improvements become the property of all the world and can be obtained by anybody who cares to buy them. Even now the improvements in armor and the designs worked out by the Navy have been embodied in the warship of another nation recently finished by the Bethlehem Steel Co. and put into commission.

(From Daniels's Annual Report for the year ending 1914:)

"It became even plainer than last year that the Government is at the mercy of the three manufacturers of armor plate, whose policy is to make the Government pay prices much beyond a fair profit. The three companies make affidavits that they are in no combination and have no agreement affecting prices, as they are required by law to do. This does not, however, prevent their availing themselves of a mental telepathy which works against the Government and denies real competition in the bidding.

"Taking the highest estimate which has been submitted to me by the experts of the Bureau of Ordnance as the probable total cost price of



Government-made armor, the Government can achieve a saving by the erection of a 10,000-ton-a-year plant of \$1,061,360 per annum, after deducting 4 per cent as interest on the money used in erection and installation of plant, and \$3,048,462 a year on the basis of a Government plant capable of producing 20,000 tons a year."

(From Secretary Daniels's 1915 Report:)

"Contrary to the popular idea, the Navy Department in what it manufactures does so, from a superdreadnaught to a gallon of paint or a pound of powder, cheaper than the same can be purchased. This is particularly true of the most expensive instruments of war, but is equally true of gasoline engines, electrical supplies, engines for dreadnaughts, shrapnel, clothing for marines and sailors, accouterments, and a multitude of other articles required for the fleet and shore stations.

(From 1914 Report on Powder:)

"Before the Government began to manufacture smokeless powder it paid 80 cents a pound for it. Government competition, coupled with better methods, have brought down the price at which the department purchases this powder to 53 cents. The department is now manufacturing it at Indianhead at a cost of 36 cents a pound, and when the enlarged plant is completed may be able to still further reduce the cost of production. If the department had bought what is manufactured last year, the powder bill would have been \$397,536.16 more than it was. In addition to effecting this saving by manufacture, the department reworked 1,013,940 pounds, at 11.9 cents per pound, and this method insures the use of much powder every year that would otherwise be useless.

"In the two years that the present torpedo works have been in full operation at Newport, R. I.—the cost of manufacture of each torpedo has been reduced from \$4,200 to \$3,200. These torpedoes, if bought at the only private torpedo plant in the country, would cost \$5,000.

"There is another reason why the Navy Department should be able to manufacture munition of war; that policy would prevent effective agitation or organization for big preparations for war conducted by those who make profit by the manufacture of war supplies. It has been suspected in some countries that makers of armor and powder, guns, and fighting craft have promoted steadily increasing equipment for giant navies and large armies for their personal enrichment, as others have practiced 'philanthropy and 5 per cent.' The incentive of personal aggrandizement by preparations for war should not be permitted to exist in the United States. The effective way to prevent so baneful an influence is for Congress to give the department authority to manufacture implements of war, an authority which could be employed when necessary."

## Appendix XIV

### Principal Manufacturers of Armament in the United States (By Courtesy of the Foreign Policy Association)

#### EXPLOSIVES AND GUNPOWDER

- E. I. DU PONT DE NEMOURS COMPANY, Wilmington, Del. Government contracts, 1933.  
HERCULES POWDER COMPANY, Wilmington, Del. U. S. Government contracts, 1933.  
WESTERN POWDER MFG. COMPANY, Peoria, Ill.  
KING POWDER COMPANY, Cincinnati, Ohio.  
MOORE, DU VAL & Co., San Francisco, Cal.

#### NAVAL CONSTRUCTION AND REPAIR

- BETHLEHEM SHIPBUILDING CORPORATION, Quincy, Mass. Subsidiary of Bethlehem Steel Co.; plants at Fore River, Mass., Baltimore, Md., Wilmington, Del., San Francisco, Cal.; war vessels and merchant ships for U. S. and foreign governments.  
NEWPORT NEWS SHIPBUILDING AND DRYDOCK COMPANY, Newport News, Va. War vessels and merchant ships. Constructed 321 vessels since organized in 1890; more than 35 ships for U. S. Navy, 1911-1932.  
NEW YORK SHIPBUILDING COMPANY, Camden, N. J. Acquired 1933 by E. L. Cord interests, manufacturers of automobiles, airplanes, etc. War vessels and merchant ships. Constructed 32 war vessels for U. S. Government since 1899; one for Argentina, 1911-1913; one for Greece, 1912.  
The following firms were awarded contracts on naval vessels authorized in 1933:  
BATH IRON WORKS CORPORATION, Bath, Maine; 2 destroyers.  
ELECTRIC BOAT COMPANY, Groton, Conn.; 2 submarines.  
FEDERAL SHIPBUILDING AND DRYDOCK Co., Kearney, N. J.; 2 destroyers.  
UNITED DRYDOCKS, Inc., New York; 2 destroyers.

#### FIREARMS AND AMMUNITION

- COLT'S PATENT FIREARMS COMPANY, Hartford, Conn.  
Principal products: machine guns, pistols, machine rifles, washing machines; engaged in export trade; U. S. Government contracts, 1932-33. Assets 1930, \$5,596,000; net income 1930, \$688,524; net income during war: 1916, \$6,847,000; 1917, \$7,572,000; 1918, \$6,318,000.  
REMINGTON ARMS COMPANY, Bridgeport, Conn.  
Principal products: firearms and ammunition for military and sporting purposes, cutlery; engaged in export trade; U. S. Government con-

tracts, 1932-33. Subsidiaries in Canada and Great Britain; plants at Bridgeport, Conn., Ilion, N. Y., and Brinsdown, England; owns Union Metallic Cartridge Co. Net sales 1929, \$21,670,000; 1931, \$10,216,000; net earnings 1929, \$2,333,000; 1931, \$549,000.

**WINCHESTER REPEATING ARMS COMPANY**, New Haven, Conn. Owned by Western Cartridge Co., East Alton, Ill.

Principal products: firearms and ammunition for military and sporting purposes, cartridges; export trade; U. S. Government contracts, 1932-33. Affiliated with Equitable Powder Mfg. Co., Egyptian Powder Co., Western Powder Mfg. Co., producers of gunpowder and explosives; Winchester net earnings: 1928, \$2,161,335; 1929, \$1,950,000; 1930, \$875,700.

**SAVAGE ARMS CORPORATION**, New York.

Principal products: cartridges, rifles, pistols, shotguns, washing machines, etc. Formerly manufactured Lewis machine guns.

**AUTO ORDNANCE CORPORATION**, New York.

Portable automatic guns; U. S. Government contracts, 1932.

**DRIGGS ORDNANCE AND ENGINEERING COMPANY**, New York.

Principal products: Light artillery, naval ordnance, special ammunition.

**SMITH & WESSON**, Springfield, Mass.

Principal products: revolvers and pistols.

**JOHNSON'S ARMS & CYCLE WORKS**, Fitchburg, Mass.

Principal products: small arms, largely for sporting purposes, cartridges, bicycles.

**MARLIN FIREARMS COMPANY**, New Haven, Conn.

Principal products: rifles and shotguns.

**SEDGELY, R. F., Inc.**, Philadelphia, Pa.

Principal products: rifles and pistols.

**PACIFIC ARMS CORPORATION**, San Francisco, Cal.

Principal products: small arms, cartridges.

**WOODSTOCK MANUFACTURING COMPANY**, Charleston, S. C.

Principal products: light ordnance.

Other small firms are located in Michigan, Massachusetts, New York and Pennsylvania.

## SHELLS, CARTRIDGES AND AMMUNITION

**WESTERN CARTRIDGE COMPANY**, East Alton, Ill.

Principal products: shells and cartridges; U. S. Government contracts, 1932-33. Owns Winchester Arms Co., Equitable Powder Mfg. Co., Egyptian Powder Co., Western Powder Mfg. Co.

**FEDERAL CARTRIDGE CORPORATION**, Minneapolis, Minn.

Principal products: shells and cartridges; U. S. Government contracts, 1932.

**KING POWDER COMPANY**, Cincinnati, Ohio.

Principal products: shells and cartridges, explosives; U. S. Government contracts, 1932.

PETERS CARTRIDGE COMPANY, Kings Mills, Ohio.

Principal products: shells and cartridges; U. S. Government contracts, 1932.

HOFFMAN & BRYAN, Findlay, Ohio.

Principal product: torpedoes.

## Appendix XV

### CORPORATE STRUCTURE OF AIRCRAFT INDUSTRY

*From Poor's Manual of Industries, 1933*

#### INTERRELATION OF COMPANIES

#### UNITED AIRCRAFT AND TRANSPORT CORPORATION

Owns or Controls: Boeing Airplane Company (its planes are standard for the Army and Navy); Hamilton Standard Propeller Corporation; Pratt and Whitney Aircraft Corporation (largest engine company in the world); Sikorsky Aviation Company, Bridgeport (Navy planes); Stearman Aircraft Company (sport planes); Chance Vought Corporation (corsair planes for Navy); United Airlines; Boeing School of Aeronautics; United Aircraft Exports Company; United Aircraft and Transportation; United Airports of California; United Airports of Connecticut; Pacific Air Transport; Varney Air Lines.

#### CURTISS-WRIGHT CORPORATION

Holds Majority (average 80-85%) of Capital Stock in: Curtiss Aeroplane and Motor Company; Wright Aeronautical Corporation; Curtiss-Wright Export Corporation; Curtiss-Wright Flying Service; Curtiss-Wright Airports Corporation; Keystone Aircraft Corporation; Curtiss-Wright Airplane Company; Curtiss Caproni Corporation; Moth Aircraft Corporation; Curtiss-Wright Air Terminals; New York and Suburban Air Lines; Devon Corporation.

#### CONSOLIDATED AIRCRAFT CORPORATION

Controls: Gallaudet Corporation; Frontier Enterprises; Niagara-from-the-Air Corporation; Tonawanda Products Corporation; Fleet Aircraft, Inc.; Thomas Morse Aircraft Corporation; Fleet Aircraft of Canada, Ltd. (planes for Army and Navy).

#### NORTH AMERICAN AVIATION, INC.

Owns Stock of or Controls: Sperry Gyroscope Company; New York and Atlantic Seaboard Air Express; Ford Instrument Company; Aviation Corporation of California; Berliner Joyce (now B/J) Aircraft Corporation; Ludington Air Lines; Condor Corporation; New York

Airways; Douglas Aircraft, 25%; Transcontinental Air Transport, 47½%; Western Air Express, 47½%; General Aviation Manufacturing Company (Note: 43% of North American Aviation is owned by General Aviation Corp., 50% of which is owned by General Motors).

## Appendix XVI

### The Allied Armament Industry

*(From an official document prepared by the German Government and distributed confidentially to its diplomatic representatives at Geneva and elsewhere)*

#### A. FRANCE

##### 1. SCHNEIDER ET CIE., LE CREUSOT

	1913	1919	1928	1929	1930	1931	1932
Capital (millions).....	36	50	100	100	100	125	200
Net profit.....	9,8	10,8		24,0	26,2	26,06	25,5
Dividend, francs.....	85	95	90	100	100	100	100

##### *Stock Exchange Report for 1929*

	<i>High</i>
Schneider-Creusot.....	2620
Banque Union Parisienne.....	3670
Banque Union Européenne.....	2620
Index, 300 stocks.....	548
Index, bank stocks.....	388

Principal Schneider works outside Le Creusot and Le Breuil before the war: Le Havre and Harfleur; Champagne-sur-Seine; Châlons-sur-Saône.

Principal additions since the war: factories at Bordeaux; wharfs at Châlons-sur-Saône; factory at La Londe les Maures; factory at Le Hoc for airplanes; precisions works in Paris; factory at Perreuil; various iron ore and coal mines.

##### *Schneider Participation in Other Works*

- 1919 Oesterr. Berg- und Huettenwerke, Bruenn.  
 Skoda.  
 Polish Huta Bankowa-Werke.  
 Joint ownership with Vickers in Polish corporation for manufacture of war materials.
- 1920 (With cooperation of the Union Européenne, Schneider participated in following enterprises):

- 1920 Prag iron industry.  
Pantrac Mines.  
Hradec-Kralove steel works.  
Beit'sche Magnesitwerke in Steiermark.
- 1921 Berg- und Huetttenwerke Maeyrisch-Ostrau.
- 1922 Participation in Niederoesterr. Eskompte-Ges. and Ungarische Allgemeine Kreditanstalt.  
Establishment of oil refinery, Budapest.
- 1927 Influential ownership of stock in:  
Forges et Chantiers de la Méditerranée, Toulon.  
Ateliers et Chantiers de Bretagne, Nantes.
- 1928 Participation in following:  
Banque des Pays du Nord.  
Société belge de l'Azote.  
Lille Electrosteel works.  
Arbed.  
Siebenbuergen rifle works.  
Serbian rifle works.  
Reschitza-works, Roumania.
- 1931 Participation, Friedenshuetten, Poland.

2. COMP. DES FORGES ET ACIÉRIES DE LA MARINE  
ET D'HOMÉCOURT, S. A. PARIS

(War materials, heavy cannon, etc.)

	1912-13	1919-20	1929-30	1930-31	1931-32
Capital.....	23	70	180	180	180 million francs
Business turnover.....	104	440	707	809	759 million francs
Dividends.....	75	40	55	25	—%

*Participation in Following Works*

Rombacher Huetttenwerke, 20% of 150,000,000 marks capital.

Soc. fr. de Redange-Dillinge. 20% of 30,000,000 fr.

Anderny-Chevillon. 50%.

*Participation in Founding Following Works*

Comp. generale de Construction et d'Entretien de mat. de chemin de fer.

Comp. Metallurgie de la Gironde, Bordeaux.

Soc. des Tubes de Vincey.

Pelaw-Main coal and coke works, Durham, England.

Production: about 10,000,000 tons of steel.

Employees: 20,000.

8. L'AIR LIQUIDE

	1912-13	1920	1929
Capital.....	9		88 million francs
Balance.....	17		519 million francs
Dividends.....		10 francs; 35%, 1928-30	

## 4. COMP. DES FORGES CHÂTILLON, COMMENTRY ET NEUVES MAISONS

	1913	1920	1928	1929	1930	1931
Capital.....	18,5	37	43,5	43,5	45,0	45 million francs
Dividends.....	85	85	100	115	110	40

## 5. SOC. DES ACIÈRES DE LONGWY

	1914	1920	1927	1931	1932
Capital.....	30	45	105	157,5	157,5 million francs
Dividends.....	60	75	62,95	70 (16%)	—francs

## 6. ETABLISSEMENTS KUHLMANN (CHEMICALS)

	1911	1920	1921	1930	1931	1932
Capital.....	6,61	80	250	300	300	300 million francs
Dividends.....	16	30	8	8	8	8%

## 7. SOC. DES ACIÈRES DE FIRMINY, PARIS

Capital stock, 4,000,000 in 1913; 105,000,000 in 1928.

Dividends, 60% in 1918; 32½% in 1920; 20% in 1928.

## 11. HOTCHKISS ET CIE

*Capital*

1911, 4,000,000 francs; 1918, 16,000,000; 1932, 16,000,000

*Participation*

Soc. des Accumulateurs fixes et de Traction

Soc. Lorraine Minière et Métallurgiques.

Soc. des Garages du Sud-Est.

In 1926 the orders for artillery were 600,000,000 francs.

	1913	1922	1929	1930	1931	1932
Profits.....	0,61	9,9	23,6	17,1	20	22 million francs
Dividends.....	8	24	60		60	60 francs
Balance.....	14	93		147	160	223 million francs

## 12. COMMENTRY, FOURCHAMBAULT ET DÉCAZEVILLE

Capital 1922.....	20,250,000 francs	Net profit.....	5,400,000
1930.....	66,000,000		12,000,000

## B. BELGIUM

## 1. JOHN COCKERILL, SERAING

Capital	1927.....	100 million Belgian francs
	1931.....	177,5 million Belgian francs
Turnover	1912-13.....	66,23 million francs
	1929-30.....	93,7 million francs
Dividends	1912-13.....	20%
	1929-30.....	6,9%
Profits	1930-31.....	15,300,000 francs
Employees.....		13,600

## 2. FABRIQUE NATIONAL D'ARMES DE GUERRE

	1907	1921	1930
Capital.....	6,6	20	105 million francs
Dividends.....		35%	

## C. CZECHOSLOVAKIA

## 1. SKODA

Capital stock:		
Schneider-Creusot.....		60%
Checkish State.....		20%
Zivnostenska Bank.....		20%
Capital 1913, 25,000,000 crowns; 1928, 200,000,000		
The Skoda works own 25% of the Czechoslovak weapons works, Bruenn		
Industrial development, 1929.....		
	40%	over 1928
	89%	over 1922
	123%	over 1926
Value of unfinished orders, July 1933: 1,800,000,000 crowns		
Business turnover 1929.....	1,514,000,000	crowns
1930.....	1,634,000,000	crowns
1932.....	654,000,000	crowns
Net profits 1928.....	53,000,000	crowns
1930.....	60,000,000	crowns
Employees 1932.....	17,000	
Dividends:		
	1913, 15%; 1925, 44%; 1926, 50%	
	1927, 50%; 1928, 70%; 1929, 90%	
	1930, 90 crowns or 28 1/8%	
	1931, 90 crowns or 28 1/8%	

This company lost 100,000,000 in a Roumanian grenade deal.

*Foreign Participation*

Polish Skoda works (airplanes).

Polish Skodagesellschaft G. m. b. H.

Roumanian metal works at Ploesti.

Roumanian airplane factory at Kronstadt.

Automobile branch: Asap.

Airplane branch: Avia.

Total personnel, between 30,000 and 40,000 men

## 2. CZECHOSLOVAKIAN WEAPONS WORKS, BRUENN

Capital, 30,000,000 crowns; 75% in hands of the state, 25% owned by Skoda.

Proprietors of the majority stock in the Czechoslovakian Munitions and Metals works.

Profits: 9,500,000 krone in 1928-29.

Dividend: 15%.

Employees, 1930-31: 5000.





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